



Legal updates

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Amendments to the Law “On the Central Bank of the Republic of Azerbaijan”

On 25 April 2017, the President of Azerbaijan Republic approved the amendments to the Law “On the Central Bank of the Republic of Azerbaijan”.

The Amendments revoke provision of targeted lending by the Central Bank to the credit institutions on the state guarantee in order to fund socio-economic projects, as well as provide financial support for real sector of the economy.

The Amendments are effective as of 2nd June 2017.



Amendments to the Law “On State Registration and State Registry of the Legal Entities”

Pursuant to the Amendment dated 14 April 2017 to the Law “On state registration and the state registry of legal entities”, information about founders (participants) of the legal entities and their shares in the charter capital is provided upon request to monitoring

entities and other entities involved in monitoring in the manner prescribed in the legislation.

The Amendments are effective as of 4th June 2017.

Amendments to the Law "On Securities Market"

The President of Azerbaijan Republic approved The Amendments to the Law "On securities market" on 14th April 2017 to be effective as of 4th June 2017.

Further to the Amendments, information regarding the owners of the securities is provided upon request to monitoring entities and other entities involved in monitoring in the manner prescribed by the legislation and according to the "Law on Prevention of the Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism".

Amendments to the Civil Code

Presidential Decree of 25 April 2017 approved the "Law On Amendments to the Law on state duty".

The amendments introduce state duty of AZN 500 for performing currency exchange operations.



Amendments to the Law on "Law On Encumbrance of Movable Property"

Pursuant to the Presidential Decree dated 02 May 2017, the "Law On Encumbrance of Movable Property" has been approved.

The Law provides for definitions such as encumbrance of movable property, the priority right, the subject of encumbrance, the debtor, the owner of encumbrance, state registry of encumbrance of movable property.

According to the Law with the exception of movable objects registered in the registry of movable property and the securities to be registered, any movable property as well as rights and claims, including movable property that the owner of encumbrance will own in future can be subject of encumbrance. Encumbrance of movable property is divided into state, municipal and specific encumbrance type. The following notices are included in the register:

- Notification on encumbrance;
- Amendments to the notice on encumbrance;
- Notification on appeal to encumbrance;
- Notification on termination of encumbrance.

The following information is displayed in the notification of the encumbrance in the Registry:

- In case the owner of encumbrance is an individual – surname, name, patronymic, address, ID PIN code; TAX ID of taxpayer, contact information; passport series, number and contact information – in case the owner is a foreigner;
- In case the owner of encumbrance is a state or municipal authority, or legal entity – name, legal address, TAX ID, contact information, in case the owner is a foreign legal entity - full name in Latin letters and contact information;
- In case the debtor or the burdener is an individual - surname, name, patronymic, address, ID PIN code; TAX ID of taxpayer, contact information; passport series, number and contact information – in case the debtor or burdener is a foreigner;
- In case the debtor or the burdener is a state or municipal authority, or legal entity – name, legal address, TAX ID, contact information, in case the debtor or burdener is a foreign legal entity - full name in Latin letters and contact information;
- A description of the subject of encumbrance;
- The validity of the notice of encumbrance;
- Confirmation of consent of the burdener on inclusion of its information to the registry by marking the relevant cell;
- The amount of main obligation provided by encumbrance;
- Sex of debtor (if individual);
- New or repetitive client;
- Scope of the debtor`s activities;
- Type of movable property;
- Other information as may be required.

Fee is envisaged for an input of a notification on encumbrance, notification on amendment to the encumbrance, notification on termination of the encumbrance, and the issuance on paper of the approved report on the results of search at the request of person seeking information in the registry. The fee and exemptions from payment of the fee is determined by the relevant executive authority.

Approval of Convention “On Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism”

On 25 June 2017 the President of Azerbaijan Republic approved the Law “On approval of the Warsaw Convention on the Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism of 2005” with the relevant reservations and declarations of the Republic of Azerbaijan.

This Convention is the first international treaty encompassing both the prevention and control of money laundering and the financing of terrorism.

Amendments to the Labor Code

Law "On Amendments to the Labour Code of the Republic of Azerbaijan" has been officially published on 18 June 2017 and will become effective starting from 1 January 2018 ("Amendments").

As per the Amendments, employment agreement may be concluded for definite or indefinite periods. However, in contrast to the past reading of the Labor Code, where a fixed-term employment agreement could be concluded for a maximum period of 5 years, such limitation has now been removed and the term may be defined based on a mutual agreement of both employer and the employee.

Further to the Amendments, automatic prolongation of a fixed-term employment agreement is possible provided that the fixed-term employment agreement is not considered as open ended (due to continuance during the last five years).

Furthermore, time period for sending a notification to an employee prior to termination of an employment agreement due to redundancy will now depend on seniority of an employee (seniority which is defined under the employment agreement with the current employer).

Thus, notification will be sent to an employee within the following periods prior to termination of an employment agreement on the ground of redundancy:

- At least two calendar weeks – for an employee having up to 1 year of seniority;
- At least four calendar weeks – for an employee having from 1 to 5 years of seniority;
- At least six calendar weeks – for an employee having from 5 to 10 years of seniority;
- At least nine calendar weeks – for an employee having more than 10 years of seniority.



However, as per the Amendments, the aforementioned notification period may be also substituted by one-time payment of the salary followed by the termination of the employment agreement. In such case, the amount of a one-time payment will depend on the length of notification period and defined as follows:

- 0,5 times of the average monthly salary – instead of a minimum two weeks notification period
- 0,9 times of the average monthly salary – instead of a minimum four weeks notification period
- 1,4 times of the average monthly salary – instead of a minimum six weeks notification period

- 2 times of the average monthly salary – instead of a minimum nine weeks notification period.

Moreover, the Amendments now allow to provide the employee with one-time payment of the salary (not less than the average monthly salary) followed by the termination of the employment agreement instead of a one-month notification period communicated to an employee prior to the changes in the labor conditions. However, such payment is reduced in proportion to the overdue portion of the notice period. It shall be also emphasized that the Amendments do not prohibit the provision of a higher amount of payments instead of the aforementioned notification periods, if expressly stated in either the employment or collective agreements.

Another important update was introduced with respect to the amount of compensation granted to an employee upon termination of an employment agreement on the grounds of redundancy or liquidation of an entity. Thus, the amount of such compensation shall be also contingent on employee's seniority (seniority which is defined under the employment agreement with the current employer) and defined as follows:

- In the amount of an average monthly salary - for an employee having minimum 1 year of seniority;
- At least 1.4 times the amount of average monthly salary – for an employee having from 1 to 5 years of seniority;
- At least 1.7 times the amount of average monthly salary – for an employee having from 5 to 10 years of seniority;
- At least twice the amount of average monthly salary – for an employee having more than 10 years of seniority.

The Amendments abolished the requirement stipulating the payment of the average salary to the employees for second and third months of unemployment based on the respective certificates issued by the State Employment Service ("Service").



Draft Law on "Amendments to the Customs Code"

Draft Law on "Amendments to the Customs Code of the Republic of Azerbaijan" has passed the first reading in the Parliament of the Republic of Azerbaijan ("Amendments"). According to the Amendments, most of the applications of the individuals (e.g. on defining the classification of goods, their customs

value, country of origin, amount of customs fees) and notifications sent by the customs authorities may now be provided electronically.

Moreover, in case some of the documents are not submitted along with the customs declaration, the applicant may later submit them electronically. Last but not least, if the Amendments are adopted, cargo customs declaration, being the only document for re-loading of the goods, will be removed.



Adoption of the Law on “Unemployment Insurance”

The Parliament has passed the law on "Insurance of Unemployment".

The law is aimed to establish relations and new financing mechanisms based on a risk transfer in the labor market; compensate lost wages of insured persons and ensure the social protection of the population through preventive measures to prevent the occurrence of unemployment.

The main principles of this law are coercion, the legal equality of unemployment insurance subjects and differentiation of insurance payments depending on insurance experience and duration of unemployment

Insurance tariffs for unemployment insurance are set at 0.5 per cent of employee's wage and 0.5 per cent of calculated labour compensation fund.

Calculation of the monthly insurance fee is carried out as follows: 50% of the lost monthly salary during the period of 3-5 years, 55% of the lost monthly salary during the period of 5-10 years, 60% of the lost monthly salary during 10 years of insurance experience.

Under the law, only insured persons whose employment relationships have been terminated because of the abolition of the state body or legal entity or the reduction of the staff of its employees have a right to determine insurance payments. The law will not apply to those holding political office either.

The law will enter into force on January 1, 2018

Amendments to the Code of Administrative Offences of the Republic of Azerbaijan

The President of the Republic of Azerbaijan Mr. Ilham Aliyev has confirmed the latest amendments to the Code of Administrative Offences. After the word “persons” in the Article 422, the words “central positor, stock investment fund, investment fund manager” have been added. Therefore, under the current updates, for the violation of rules of data declaration by licensed persons, central positor, stock investment fund, investment fund manager and issuer in securities market, the officials will be cautioned or charged in amount of 500 to 600 manats. Legal entities will also be fined in amount of 2000 manats to 3000 manats.

Changes in the Migration Code

The Migration Code of the Republic of Azerbaijan is being amended. A new paragraph is added to Article 38 of the Code (Electronic Visas). According to the draft law, the new paragraph states that foreigners or stateless persons should leave the territory of the

Republic of Azerbaijan on the basis of an electronic visa they have presented while entering the country

(except those who have been granted a temporary or temporary residence permit in the Republic of Azerbaijan).

Foreigners and stateless persons shall demonstrate their e-visas along with border crossing documents when crossing Azerbaijani borders.

Moreover, the information shall be sent to applicant's email address in 3 hours after the receipt of application on issuance of accelerated e-visa.



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