



Legal updates

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## Law "On Free Economic Zone of Alat"



The draft law "On Free Economic Zone of Alat" (the Law) has been approved by the Parliament of Azerbaijan on 18<sup>th</sup> of May 2018.

The Law determines the legal regime of activities, development and management of the free economic zone of Alat in accordance with clause 1 and 10 of Section I of Article 94 of the Constitution of the Republic of Azerbaijan.

Pursuant to the Law, competent body (the administrative body responsible for the activities of the free zone and conducting the control over the activities thereof), administrative facilities, legal entities and their employees, as well as the residents of the free zone are exempt from all taxes related to their activities in the free zone. The regulatory requirements of the main economy (the rest of the jurisdiction of Azerbaijan except for the free zone) can be applied to the

services and goods provided by the legal entities or residents of the free zone to any taxpayer of main economy.

Goods and services imported to the free zone are not subject to customs duties and taxes.

For the purpose of regulation and control over the activities within the free zone there free zone authorities, administrative facilities, free zone economic, labor and other legislation, internal rules and regulations will be established.

The free zone sets up a customs office which carries out its activities in accordance with the strategic objectives, international practices and legislation of the free zone.

Under the Law, investors, entrepreneurs, residents, legal entities of the free zone and their employees are entitled to conduct transactions in any currency, without any limitation.

It is the requirement of the Law, that the competent body of the free zone should ensure the establishment of an arbitration center or body for settlement of disputes.

Along with Azerbaijani and English, other languages can be used as a working language in the territory of the zone. In case of discrepancies between the English and Azerbaijani, the language opted by the agreement of the parties shall prevail.

## **Decree "On Additional Measures to Improve the Activity of the Mortgage and Credit Guarantee Fund ("Fund") of the Republic of Azerbaijan**

For the purposes of improving the supply of people with housing, increasing opportunities to receive mortgage loans, and minimizing the risks of mortgage and credit and guarantee mechanisms, the President of the Republic of Azerbaijan has signed the Decree on "Additional Measures to Improve the Activity of the Mortgage and Credit Guarantee Fund ("Fund") of the Republic of Azerbaijan" as of 1 May 2018.

By virtue of the Decree, Rules on "Procedures for provision of guarantees on mortgage loans issued by the Mortgage and Credit Guarantee Fund" has been approved.

According to the Decree, the Cabinet of Ministers must present within a month proposals regarding the exemption of the Fund from tax liabilities, as well as the exemption of authorized banks and borrowers from tax obligations when the Fund makes payments on guarantees.

Under the Decree, the Cabinet along with the Fund should define the volume of the funds that will be needed to grant subsidies in 2019-2021 for loans issued since January 1, 2018.

Furthermore, Financial Markets Supervision Authority of Azerbaijan must define and present to the President the special economic regulations and requirements to ensure banks' active participation in mortgage lending and in activity of the credit and guarantee system.

Decree was signed in accordance with clause 32 of Article 109 of the Constitution of Azerbaijan and eliminates the Fund's authority to determine the limit on subsidies for each authorized bank.

The Fund should also ensure creation of a special reserve fund to cover possible financial losses.



## Rules “On Procedures for provision of guarantees on mortgage loans issued by the Mortgage and Credit Guarantee Fund”

Rules “On Procedures for provision of guarantees on mortgage loans issued by the Mortgage and Credit Guarantee Fund” approved by the Presidential Decree of 01 May 2018 define general issues related to the provision of guarantees on mortgage loans issued by the Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan.

According to the Rules, guarantees shall be issued only on mortgage loans that meet the requirements of the Mortgage Loan Regulations.

The proportion of the amount of guaranteed mortgage loan to the value of the loan as of the date of loan issuance set by an independent appraiser should not be less than 60% and not more than 85%.

The rules further define the terms of issuance of guarantees, formation of reserve fund, restructuring of mortgage loan, execution of a guarantee obligation, termination of a guarantee obligation.



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