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Law on living minimum for 2017

The Law of the Republic of Azerbaijan “On living minimum for 2017” (“Law”) will become effective as of 01 January 2017. According to the Law, the countrywide average living minimum for 2017 is determined as AZN 155. The law differentiates the living minimum for the following categories of population:

- For able-bodied population – AZN 164.5
- For pensioners – AZN 130.2
- For children – AZN 136.6.

New Rules on Conducting Foreign Currency Operations by Residents and Non-residents in Azerbaijan

On 28 November 2016 the Central Bank of Azerbaijan approved the new Rules on Conducting Foreign Currency Operations by Residents and Non-residents of Azerbaijan (hereinafter, the "Rules").

Rule No. 12 dated 27 May 2002, previously regulating the foreign currency transactions of residents and non-residents, was annulled with the adoption of the new Rules.

For the purposes of the Rules, "bank account" is defined as any current, credit, deposit or other account opened within a bank. The Rules further provide for the definition of "imported services" as services and works provided by non-residents within the territory of Azerbaijan as well as services and works provided for the benefit of residents outside of the country.

The Rules provide guidelines on foreign currency transactions with and without opening a bank account as described below.

Foreign currency transactions without opening a bank account

According to the Rules, only resident and non-resident individuals may conduct a foreign currency transfer within or outside of Azerbaijan without opening a bank account. Legal entities are not allowed to transfer foreign currency without opening a bank account.

The amount of the transfer of foreign currency without opening a bank account may not exceed the equivalent of USD 1,000 per day and the equivalent of USD 10,000 per month for both resident and non-resident individuals.

Foreign currency transactions conducted through bank accounts

Remittance of foreign currency (in cash or via transfer) to the foreign currency bank accounts of residents and non-residents may be conducted freely. The transfer of currency outside of Azerbaijan from bank accounts may be conducted for the following transactions:

1. Transfer of payments for goods or services imported to the country by residents and non-residents, including advance payments. As per the newly established rules, if payment for the importation of goods or services is made in advance, supporting documents attesting the customs clearance of the goods and provision of services must be submitted to the bank within 180 days.

2. The following transactions have not been significantly affected by the introduction of new rules:

- Payments for re-export of goods and services;
- Advance payments of contracts that have not been executed;
- Transactions of resident legal entities with a branch or representative offices abroad (by stating the purpose of transfers);
- Payments of debts obtained abroad;
- Payments for courts, notaries, state fees, other mandatory payments, scholarships, pensions, aliments and other similar or related payments;
- Payments of dividends to non-residents from residents.

3. Additionally, according to the rules, the transfer of foreign currency for the following activities may be carried out upon submission of the relevant agreement, invoice or digital commercial notification indicating the amount and purpose of the transaction:

- Payment of participation fees for international events, conferences and exhibitions;
- Payments of subscription fees and fees for advertisements to foreign publication products, libraries, data centres;
- Payments for education and medical treatments;
- Payments for the use of author rights, patent and franchising fees.

4. Transfers for personal purposes:

- Transfer of resident physical persons to their close relatives not exceeding USD 10,000 a month;
- Transfer of money previously brought into the country in cash or by bank transfer by providing the necessary documents proving the aforementioned;
- Any other transfer that does not exceed USD 1,000 a day and USD 10,000 a month.

5. Repatriation transfer of investments made by foreign companies to the economy of Azerbaijan by non-residents.

6. Transfer of revenue from investment projects carried out in Azerbaijan by non-residents, including compensations and payments related to losses.
7. Transfer of the salaries of foreign employees who have entered into employment agreements with residents and non-residents.
8. Transfer of the following cash flows by resident and non-resident individuals and legal entities with the respective documentation:
 - Transfer of foreign currency for contribution to the charter capital of legal entities established outside of Azerbaijan;
 - Transfer of foreign currency to acquire securities;
 - Payments related to the fees for ownership rights of properties as well as other rights related to properties.

The rules on the implementation of the “build-operate-transfer” model were approved

Presidential Decree of 7 December 2016 approved the Rules regulating the implementation of investment projects on construction and infrastructure through the “build-operate-transfer” model (hereinafter, the “BOT Model”) on the basis of special financing (hereinafter, the “Rules”).

The Rules were prepared according to the Law “On the implementation of investment projects in connection with construction and infrastructure facilities on the basis of special funding”.

The state body authorized to perform duties with respect to the implementation of this model is the Ministry of Economy of Azerbaijan.

The rules include all the necessary information for investors who are planning to benefit from the BOT Model. The document contains information on the following matters:

1. Terms of implementing investment projects and requirements with respect to investors
2. Terms and characteristics of agreements to be signed between the authorized state body and investors

3. Rules on defining the value of products and services that would be obtained through investment
4. Rules on conducting bids
5. Authorities of the Ministry of Economy with regard to the implementation of the BOT Model

New Law "on Cashless Settlements"

The Law "On cashless settlements" was approved on 16 December 2016 by the President of the Republic of Azerbaijan (hereinafter, the "Law").

The Law aims at ensuring the transparency of transactions and settlements, protection of consumer rights, replacement of cash settlements with cashless ones and the development of the banking system in Azerbaijan.

The Law defines the following settlements as cashless:

- Settlements through bank transfers, including transfers via payment means or devices (payment cards, payment orders, mobile phones, computers, etc.);
- Settlements through payment terminals;
- Cash settlements to the seller's bank account.

According to the Law, cashless payments within settlements between parties that are tax payers can be performed only through bank transfers, including transfers via payment means or devices.

Settlements within a calendar month in excess of AZN 30,000 performed by VAT registered taxpayers and taxpayers within the trade or public catering industry, whose taxable transactions during one month (months) of any consecutive twelve month period exceed AZN 200,000, and settlements of any other taxpayers within a calendar month in excess of AZN 15,000 shall be performed only by cashless means.

This requirement will come into force on 1 January 2017 for VAT registered taxpayers and taxpayers within the trade or public catering industry, whose taxable transactions during one month (months) of any consecutive twelve month period exceed AZN 200,000 and on 1 April 2017 for other taxpayers.

Regardless of the above, the following settlements must be performed by only cashless means:

- Payment of taxes, customs duties and levies, administrative fines, financial sanctions and interests, repayment of debt amounts under leasing transactions and issuance of credits;
- Payments defined under the laws of the Republic of Azerbaijan "On insurance activity" and "On compulsory insurance";
- Payment of service fees and other payments made to government agencies, state-owned legal entities or legal entities, in which the state owns control package, public legal entities and budget enterprises;
- Payment of salaries and other payments defined by the legislation and paid to employees by employers, except those engaged in retail trade, public catering and the service industry, whose taxable transactions during one month (months) of any consecutive twelve month period are up to AZN 200,000; pensions, scholarships, financial aid, bonuses (including one-time bonuses), compensation and benefits;
- Payment of landline phone services and utility costs;
- Payment and repayment of interest-free cash funds (except where such funds are provided by non-taxpayers) and other money allocations;
- Utilisation/expenditure of funds received under public procurement contracts;
- Payment of tuition fees;
- Payments made to tour agents.

The following commodities can be sold and purchased by taxpayers from individuals who are not taxpayers by using cash:

- Obtaining agricultural products from the producers of agricultural products;
- Obtaining non-ferrous and ferrous scrap metal;
- Obtaining paper, glass and plastic products for recycling and other purposes;
- Obtaining used tires for recycling purposes.

Regulation "On e-Mortgage System" approved

The Regulation "On e-Mortgage System" was approved by the Presidential Decree dated 24 November 2016. The e-Mortgage system will be running on the e-government portal. The purpose of introducing the electronic system is

to ease the access to mortgage loans and create equal conditions for those wishing to get a mortgage loan.

Amendment to the Law on State Registration of Real Estate

Amendment to the Law "On State Registration of Real Estate" (the "Law") dated 14 November 2016 will simplify the state registration of residential houses. According to the new edition of Article 8.0.9.1. of the Law, the state registration of houses requires only the document certifying property rights of the owner of land where the house is situated. In addition, the new amendment applies to houses:

- Built before 01 January 2013
- Not taller than 12 meters
- Built on the land that meets basic living conditions

The list of documents required for the registration of houses situated on leased land remains the same as before; it includes approved building project, commissioning act and land lease documents.



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