

Azerbaijan  
Deloitte Legal

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## Important Legislative Update



### Deloitte Legal – Representing tomorrow

#### Tax Code

According to the amendments to the Tax Code dated 30 September 2014, in addition to the legislation specifically listed in Article 2.4. of the Tax Code, the Law “On Regulation of Inspections in the Entrepreneurial Sector and Protection of Rights of Entrepreneurs” may also contain provisions regarding taxation, and in particular relating to tax audits (excluding desk audits).

By the amendments dated 20 June 2014 Tax Code in the cases determined by the international treaties between Azerbaijan and other states, banks and non-bank credit organizations must provide information to those states about financial operations conducted in Azerbaijan by the legal entities and individuals of such states through the relevant executive authority in the order and extent defined by such authority.

Banks and non-bank credit organizations failing to provide the above information will be subject to financial sanction of 30% of the total amount of performed transactions.

#### The Migration Code

According to the amendment to the Migration Code dated 17 October 2014, the term of registration of foreigners and stateless persons in place of sojourn is extended from three to 10 days as of the date of their arrival.

#### The Code of Administrative Offences

According to the amendments to the Code of Administrative Offences dated 28 October 2014, branches and representative offices of foreign legal entities are also subject to administrative responsibility as per the Code of Administrative Offences.

#### The Law “On State Duties”

According to the amendment to the Law “On State Duties” dated 17 October 2014 fees for double entry visas were eliminated.

Additionally, foreigners and stateless persons engaged in paid labor activity in Azerbaijan are exempted from payment of state duty for receiving of work permit in the following circumstances:

- loss of work permit;
- change of name of employer or the information reflected in the ID;
- change of position at one employer.

#### **The Law “On Protection of Consumer Rights”**

As per the amendment to the Law “On Protection of Consumer Rights” dated 30 September 2014, entities are no longer required to incur expenses for analyses of retail products, raw material and other samples conducted by related public authorities.

#### **The Law “On Employment”**

As per the amendment to the Law “On Employment” dated 17 October 2014, facilitation of employment of Azerbaijani citizens abroad cannot be carried by physical persons.

#### **The Law “On Advertisement”**

As per the amendment to the Law “On Advertisement” dated 17 October 2014, advertisement of facilitation of employment of Azerbaijani citizens abroad can be placed only by legal persons holding a special license.

#### **The Law “On Investments Funds”**

According to the amendment to the Law “On Investment Funds” dated 30 September 2014 inspection of investment funds must be conducted in accordance with the Law “On Investment Funds” and the Law “On Regulation of Inspections in the Entrepreneurial Sector and Protection of Rights of Entrepreneurs”.

Specific provisions concerning on-site inspections at investment funds were removed from the Law “On Investment Funds”.

Furthermore, under the said amendment, inspectors are obliged to ensure protection of the information the receipt of which is restricted under the Law “On Obtaining of Information”.

Inspections under the Law “On Investment Funds” are conducted at the expenses of monitoring authority.

#### **The Law “On Non-Bank Credit Organizations”**

As per the amendments to the Law “On Non-Bank Credit Organizations” dated 30 September 2014, the Central Bank of Azerbaijan is entitled to inspect the activities of non-bank credit organizations in accordance with the Law “On Regulation of Inspections in the Entrepreneurial Sector and Protection of Rights of Entrepreneurs”.

#### **The Law “On Commercial Activity”**

As per the amendment to the Law “On Commercial Activity” dated 30 September 2014, entrepreneurial activities are now inter alia regulated by the Law “On Regulation of Inspections in the Entrepreneurial Sector and Protection of Rights of Entrepreneurs”. Furthermore, entrepreneurs are assigned with the rights and obligations under the Law “On Regulation of Inspections in the Entrepreneurial Sector and Protection of Rights of Entrepreneurs” in addition to the rights and obligations specified in the Law “On Commercial Activity”.

The rules on principles, purposes, organization and performance of inspections in the area of entrepreneurship are defined by the Law “On Regulation of Inspections in the Entrepreneurial Sector and Protection of Rights of Entrepreneurs”.

#### **The law “On State registration and state registrar of the legal persons”**

In accordance with the amendment to the Law “On State Registration and State Registrar of the Legal Persons” dated 17 October 2014 a foreign non-governmental organization may establish its representative or branch office in Azerbaijan.

### **Customs Audit**

According to Decree #261 of the Cabinet of Ministers adopted on 16 July 2014 the “Rules on compilation and form of act on results of customs audit” became invalid.

Furthermore, Decree # 263 of the Cabinet of Ministers dated 22 July 2014 approved the “Rules on declaration of goods and vehicles passing the customs border” (the “Rules”) which became effective as of 01 November 2014.

The Rules provide for the list of documents and information required for customs declaration of goods and vehicles and set forth the guidelines for declaration thereof.

The Rules provide for definitions of “green channel” mainly considered for import of personal luggage by physical persons and “red channel” for regular import of goods.

The Rules introduce rules for submission of the following types of declarations:

1. short import/export declarations
2. periodic declarations
3. incomplete

### **The Law “On Social Insurance”**

According to the amendment to the Law “On Social Security” dated 17 October 2014, non-conclusion of employment agreement or non-registration of employment agreements in the e-system of the Ministry of Labor and Social Protection of People is subject to penalty of AZN 55 for each employee on a monthly basis.

### **Double Tax Treaty Update**

Convention between government of the Republic of Azerbaijan and the government of the Kingdom of the Saudi Arabia for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital signed in Riyadh on 13 May 2014 was entered into force on 30 September 2014.

Convention between government of the Republic of Azerbaijan and the government of the Socialist Republic of Vietnam for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital signed in Hanoi on 19 May 2014 has entered into force on 30 September 2014.

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