



Azerbaijan Tax News

Prepare for a Changing Landscape

New amendments to the Tax Code on Foreign Account Tax Compliance

According to the new amendments to the Tax Code dated 10 July 2014, banks and non-bank credit organizations, in line with the international agreements signed between the Republic of Azerbaijan and other countries, should provide the information, through Ministry of Taxes of Azerbaijan, about the financial transactions of foreign individuals and legal entities in the territory of the Republic of Azerbaijan to the relevant authorities of their home countries. The Cabinet of Ministers is instructed to prepare procedural aspects of exchange of information between banks and the Ministry of Taxes within three months period.

Non-compliance with the above noted provision of the Tax Code will be punished by a financial sanction of 30 percent of the entire value of the transactions occurring in such accounts. If no transaction takes place, financial sanction in the amount of AZN 400 will be applicable for each account respectively.

New amendments to the Law on Banks

Simultaneously with the recent amendments made to the Tax Code, respective amendment has been made to the Law “On Banks” to allow banks to disclose the information on bank accounts of individuals and legal entities to their home country authorities via the Ministry of Taxes of Azerbaijan when it is required under international agreements signed between Azerbaijan and other countries.

It is worth noting that Azerbaijan has reached an agreement in substance for a Model 1 intergovernmental agreement (IGA) with the United States for the purposes of FATCA. With the amendments to the Law “On Banks”, disclosure of the information in a way described above will not be treated as a violation of bank secrecy and will create a legal framework for exchange of FATCA related information.

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