

Azerbaijan Tax News

Prepare for a Changing Landscape



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New Decree of the Cabinet of Ministers

New Decree #211 of the Cabinet of Ministers on reporting requirements with regard to foreign legal entities and natural persons having reportable financial account information in Azerbaijan (the “Decree”) was approved on 3 June 2015.

The main purpose of the Decree is to set out the standards and rules for the reporting of financial account information of foreign legal entities and natural persons by local financial institutions and automatically exchange that information with the competent authorities of the foreign countries.

The Decree mainly covers the following areas and issues of the reporting process:

1. Reporting requirements applicable to foreign legal entities and natural persons having reportable Financial Account Information in Azerbaijan.

The Decree determines the type of information that must be reported by each Reporting Financial Institution with respect to each Reportable Account. Main types of information that has to be reported according to the Decree are followings:

- the name, address, jurisdiction(s) of residence, TIN and date and place of birth (in the case of an individual) of each Reportable Person that is an Account Holder of the account;
- the account number (or functional equivalent in the absence of an account number);
- the name and identifying number of the Reporting Financial Institution;
- the account balance or value as of the end of the relevant calendar year or other appropriate reporting period and etc.

2. Rules for reporting of Financial Account Information to the Ministry of Taxes by the Reporting Financial Institutions.

The Decree sets out the rules for reporting of Financial Account Information through the new automatic information exchange system called “E-reporting” (E-hesabat), as well as the rules for submission of adjusted reports and other technical issues related to the reporting process.

According to the Decree, the report on Financial Account Information shall be submitted by the Reporting Financial Institutions within the timeframe established by appropriate international agreements, but not later than 1st July following the year to which the reportable information belongs.

3. Rules for the Exchange of Financial Account Information to the competent authorities of the foreign countries by the Ministry of Taxes.

The Decree regulates the confidentiality, currency and data security issues related to the exchange of Financial Account Information to the competent authorities of the foreign countries by the Ministry of Taxes. As per the Decree the report on Financial Account Information shall be submitted by the Ministry of Taxes of Azerbaijan Republic to the competent authorities of the foreign countries according to the rules and within the timeframe established by international agreements. Also the Decree explicitly states that all confidentiality requirements established by international agreements shall be met during the submission process and all data transferred shall be appropriately encrypted and packaged before the transmission.

It is worth noting that according to Article 60.1.4 of the Tax Code non-compliance with the above mentioned reporting requirements may lead to financial sanctions for Reporting Financial Institutions equal to 30% of the turnover of Reportable Account, or AZN 400 if no operations was conducted through the Reportable Account.

Kind Regards,

Tax&Legal Department

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96 Nizami St.

Baku, AZ1010, Azerbaijan

Tel: +994 (12) 404 12 10

Fax: +994 (12) 404 12 11

www.deloitte.az

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