



New PSA and HGA Import and Export Protocols

On 14 February 2011, BP and the State Customs Committee signed new Protocols Concerning Import and Export Duties and Taxes for the following PSAs and HGAs:

- Azeri and Chirag PSA
- Shah Deniz PSA
- BTC HGA
- South Caucasus Pipeline HGA

The Protocols have been passed for signing to the other members of the Commission for negotiation and signing of tax protocols. Once the Import and Export Protocols enter into force, they will replace the old ones.

PwC Azerbaijan will inform its readers when the new Protocols come into effect.

New Exemptions from VAT and Customs Duties on import

On 25 January 2011, the Cabinet of Ministers passed Decree # 17 expanding the list of items exempted from the Value Added Tax (VAT) and Customs Duties on imported items. The Decree has come into force on 1 March 2011 and will be effective for the next three years.

The decree stipulates the Government intends to support production in non-oil sector of Azerbaijan and promote application of modern technology domestically.

For this reason, import of the following items is now exempt from VAT and custom duties:

- animals such as cattle, chickens and goats
- certain type of plants and seeds used in the agricultural sector
- equipments used in the agriculture, horticulture, food, and other industries

Constitutional Court Provides Interpretation of the Tax Code Provisions

The Panel of the Constitutional Court of Azerbaijan released the guidance on interpretation of Paragraphs 78.3, 85.4, 90.3 and 93.1.1 in the Tax Code.

Unpaid taxes received major attention in the guidance of the Constitutional Court.

In short, the guidance concludes that financial sanctions and interests imposed under the Tax Code for unpaid taxes cannot be collected through a criminal trial, and may be claimed from the taxpayer via a

civil trial. If the criminal case has been initiated for a taxpayer for tax evasion, pursuant to Paragraph 213 of the Criminal Code, a taxpayer may be penalized, if his/her guilt is proved, and held liable to pay due taxes, but not financial sanctions and interests.

Moreover, on a different subject related to delinquent taxes, the guidance stresses that calculated taxes, interests, and financial sanctions may be claimed from a taxpayer within five years after a reporting period. If the tax debt cannot be collected before the five years period expires, the Ministry of Taxes must forfeit the debt. However, if there are legal reasons for initiating a criminal trial, the statutory limitation under the Criminal Code will still apply.

The Tax Ministry Appoints a Unified Body for state registration of foreign companies

On 25 January 2011, the Ministry of Taxes appointed the Division for Registration of Commercial Legal Entities of the Baku City Department as a unified body for registering the below listed organizations across the country, except those in the Nakchivan Autonomy Republic:

- All commercial entities with foreign investment
- Universities and schools (high and secondary)
- Financial-industrial groups
- Banks
- Investment Funds
- Insurance and audit organizations

Avoiding compulsory audit is penalized

In the session on 11 February 2011, the Parliament (Milli Majlis) adopted a law on changes to the “Law on Auditor activity”, as well as an amendment to the “Administrative Delinquencies Code”, accordingly.

The amendments establish the consequences for businesses that evade from mandatory audit. After the new Law passes through all ratification procedures, officers of entities who avoid the mandatory audit will be penalized in the amount of AZN 300-600, and legal entities in the amount of AZN 500-2500.

The amendments however do not shed more light on the long-standing disputes as to which types of entities must undergo a mandatory statutory audit.

A Unified Database on Regulatory Audits of businesses

President Aliyev approved the guidance for creation of an electronic database that will store information about regulatory audits of businesses in Azerbaijan.

The database will be created and administered by the Ministry of Justice.

Any audit of a business, with some exceptions, may be initiated after relevant information is processed into the database. It is the responsibility of the authority (e.g., Ministry of Taxes) auditing a particular business entity to pass the information on the expected audit to the Ministry of Justice at least one day before the commencement of the audit.

The Ministry of Taxes introduces “Listing of Taxpayers”

To ensure the accuracy of the registry of the taxpayers, starting from 1 February 2011, the Ministry of Taxes has begun the “listing” of the taxpayers. Companies in Azerbaijan should expect that tax officials will visit them and collect information from them to update the electronic database of the Ministry.

The tax officials visiting taxpayers for the sole purpose of listing are not permitted to make any tax assessment or impose a penalty.

Legal acts and court decisions will be published via internet

On 16 February 2011 President Aliyev approved the rules regulating the disclosure of documents of state bodies and municipalities on the internet.

The list of documents that are subject to disclosure encompasses enacted and draft legal acts, releasing which is not restricted by law, and court decisions.

The rules envisage that all decisions of the Constitutional Court, Supreme and Appellate Courts will be published within one month after they are passed. Besides, dismissed and overruled decisions of lower courts shall also be subject to a disclosure. Verdicts of criminal trials shall be published within ten days after they are passed, and other lower courts’ decisions shall be published within ten days after they are executed.

The texts of the legal acts and court decisions accessible to the public will reflect the same text of the original documents.

All of the aforementioned documents of municipalities will be available via internet by 1 January 2012 and of state bodies by 1 January 2014.

A new Law on Normative Legal Acts

A new Constitutional Law of Azerbaijan on the “Normative Legal Acts” came into effect on 17 February 2011 having replaced the old law, dated 26 November 1999.

The new Law regulates the process of drafting, adopting, certifying, publishing, enforcing, interpretation, and systemization of the normative acts.

International Agreements

The following international agreements were approved by the President of Azerbaijan on 15 February 2011.

- Agreement between Azerbaijan and Kuwait on economic and technical cooperation, signed on 10 January 2011;
- Agreement between the Ministry of Taxes of Azerbaijan and State Income Services of Latvia on mutual administrative assistance and information exchange for complying with tax legislation, signed on 17 January 2011 in Riga, Latvia.

Milli Majlis enacted the law, dated 19 February 2011, having ratified the Agreement between Azerbaijan and Italy on exemption on visa requirements of persons who possess diplomatic and service passport, signed on 7 December 2010.

Newly Released PwC Publications:

PwC Guide on Doing Business and Investing in Azerbaijan

The Guide is intended to provide timely information about Azerbaijan's business environment both for our current clients as well as for those international companies that may be considering entering this exciting and fast-growing market. For more in-depth information on doing business in Azerbaijan, please contact us directly at PwC Azerbaijan in Baku or download the guide here <http://www.pwc.com/az/en/publications/dbg.jhtml>

PwC Azerbaijan Events:

“Internal Audit” workshop on 31 March 2011

PwC Azerbaijan invites you to a half-day “**Manage Your Risks: Internal Audit Best Practices**” **Workshop** on 31 March 2011, at the Park Inn Hotel, Dan Ulduzu Hall from 9.30AM to 12:30PM.

The PwC “Manage Your Risks: Internal Audit Best Practices” Workshop will explore how the internal audit function should operate and discuss internal audit related quality, value and transformation issues.

To register at our workshop, please:

Send to the email: konul.azimzade@az.pwc.com and provide /name/ surname/ position/ company/ contact details for each representative of your Company attending the Workshop; **OR** call Konul Azimzade at PwC Azerbaijan at (+99412) 497 25 15 and provide the details above.

Workshop attendance is free. Workshop will run in two languages: Azerbaijani and English.

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