

Securities Market Development Plan Approved

On 17 May 2011, President Aliyev approved the State Program on Development of the Securities Market of the Azerbaijan Republic for 2011-2020.

The program aims at modernization of the securities market to provide effective risk management and wider capitalization opportunities.

The program includes the following:

- Creation of a central depository of state and corporate securities within the National Deposit and facilitation of the process of registration of securities;
- Creation of a centralized clearing system with e-payments opportunities;
- Creation of pension funds;
- Actions towards achieving of local securities being traded on foreign markets and vice versa;
- Adoption of a new law on securities;
- Reforming the tax legislation regulating securities including provision of incentives on investment income and capital gain from securities;
- Training and capacity development of courses on securities.

The State Programs provides a timeframe for implementation of the listed action plans.

Economic Development Ministry and IFC joins together in one project

The representatives of the Ministry of Economic Development and International Financial Corporation have joined into a special group to draft a Corporate Governance Code.

At present, some limited corporate governance rules are mostly codified in the Civil Code.

The Corporate Governance Code of Azerbaijan is being drafted based on the Corporate Governance principles adopted by the Organization of Economic Cooperation and Development first in 1999, and then revised in 2004.

Constitutional Court's rules out sanctions for employment without a work permit

On 2 December 2010, the Panel of the Constitutional Court of Azerbaijan heard the case of consistency of Article 53.8 of the Code of Administrative Offences (Code) with the provision of the Constitution of Azerbaijan, and issued a ruling effective from 1 June 2011.

According to Article 53 of the Code, employers hiring foreigners or individuals without citizenship are liable for a penalty in the range of AZN 30,000.00-35,000.00, if their employees do not possess a work permit. The definition of an "employer" includes legal entities, physical persons, and officials.

In the ruling, the Constitutional Court refers to Article 25.4 of the Code, which limits the penalties for administrative delinquencies for legal persons up to AZN 50,000.00, physical persons up to AZN 3,000.00, and officials up to AZN 10,000.00. Thus, although the penalties for employers that are legal entities are within the limit, those for physical persons and officials exceed the cap.

The Constitutional Court has ruled that this administrative penalty contradicts with the principles set in paragraphs I and V of Article 25, paragraphs I and II of Article 71, and paragraphs I and III of Article 149 of the Constitution of the Azerbaijan Republic.

Therefore, the Constitutional Court held that Article 53.8 of the Code shall be void effective from 1 June 2011. In this ruling, the Parliament (Milli Majlis) was recommended to differentiate the penalties for employment without work permit separately for legal entities, physical persons, and officials.

Production Sharing Agreement for Balakhani, Sabunchu, Ramana and Kyurdakhani Oil Fields ratified

The Milli Majlis ratified a Production Sharing Agreement (PSA) on exploration, rehabilitation, development and production sharing of Balakhani, Sabunchu, Ramana and Kyurdakhani oil fields on 6 May 2011.

The PSA was signed between the State Oil Company of Azerbaijan (SOCAR) and the German company UGE-Lanser PTI. Ltd on 3 June 2010. The PSA will be effective for 25 years with the possibility of an extension for another five years. 75% of stake in the PSA is held by UGE-Lanser PTI Ltd and 25% by SOCAR.

More import VAT Exemptions

On 25 April 2011, the Cabinet of Ministers passed Decree # 60 expanding the list of items exempt from Value Added Tax (VAT) on imported items. The Decree came into force on 25 May 2011.

The items exempted from VAT include various types of helicopters, planes and other flying machines, engines and pneumatic rubber tires used in civil aviation.

More e-services from the Government

Aiming to facilitate and enhance the quality of services provided by the state bodies, on 23 May 2011, President of Azerbaijan Ilham Aliyev signed a decree introducing e-services in various state administration bodies. Thereby, the President instructed the Cabinet of Ministers to determine within two months the rules of provision and types of e-services by authorities.

Moreover, the Decree states establishing of an internet database for e-services, creating a list of required documents enabling to benefit e-services, and taking other actions towards making this plan real.

State Business Audits Register set

Based on the Decree signed by President Aliyev on 13 April 2011, the Ministry of Justice established a single information register for the state audits of the business. The register will contain up-to-date information about on-going audits.

The users of the Register will be able to access it via www.yoxlama.gov.az website.

Tax Treaty with Lithuania

On 5 May 2011, the Minister of Taxes of Azerbaijan, Fazil Mammadov, and the Head of the Tax Inspectorate of Lithuania, Modestas Kaseliauskas, signed a bilateral agreement on technical cooperation in the field of taxation. The agreement will be effective after the exchange of ratification documents.

PwC Academy- Now in Azerbaijan!

PwC Azerbaijan has the pleasure to announce the launch of PwC Academy, and invites you to the “PwC Academy-Now in Azerbaijan!” Seminar on 9 June 2011 at Park Inn hotel, Dan Ulduzu conference hall, from 9.30AM to 12.00PM. The PwC Azerbaijan Academy Seminar will provide information on the leading edge learning solutions and consulting services in the training of your personnel, as well as explain how PwC can help you to increase the specialist knowledge in your organization and discuss individual enrollments and corporate training solutions.

For more information about PwC Academy, please visit the webpage at this link <http://www.pwc.com/az/en/events/pwc-academy-seminar-09-06-11.jhtml> . For registration please, send an email to diana.mamedova@az.pwc.com with the full name/position/company/ OR call Diana Mamedova at (+99412) 497 25 15 and provide the details above. The registration deadline is 8 June 2011.

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