

PwC Azerbaijan Times

Issue №1

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Latest Tax Code Amendments

- The changes to the Tax Code passed by the Parliament on 21 December-came into effect on 1 January 2013.
- In total, 131 changes have been introduced into the Tax Code and below is the brief summary of some of the major changes

General Principles

- The list of types of income from the Azerbaijan sources is expanded by to include payments made for engineering, architecture, culture, art, theatre, films, radio, TV, music, painting, sport, and science services;
- There is now the possibility of conclusion of Tax Partnerships Agreements

between the tax authorities and taxpayers for minimization of tax risks. Minimization of tax risks is defined as mitigation and elimination of negative impacts on fully or partially execution of duties of taxpayers on tax calculations;

- Criteria for classification of taxpayers as large taxpayers have been introduced. The criteria are either the value of assets, or value of tax calculated, or annual turnover, or market position;
- Criteria for classification of taxpayers as special regime taxpayers have been introduced;
- Definition of gambling sport games has been introduced into the Tax Code along with simplified taxation regime provisions for this type of activities.

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Lease fees

- Lease fee for immovable property is determined for taxation purposes with consideration of market price.

Tax Compliance

- If the taxpayer has accounting records in the electronic format, upon request of the tax authorities, the taxpayer is obliged to provide to the tax authorities direct or remote access to this data, including from its branches. There is a financial sanction in the amount of AZN 100 for failure to provide such data (including information in electronic format);
- Taxpayers are required to have POS-terminals for wire payment transactions;
- Accounting documents including electronic or hard copy documents shall be kept for at least five years.

Tax Audit

- During a tax litigation on assessed taxes, sanctions and interests, tax authorities may freeze the amount of 105% of the assessment in the taxpayer's bank accounts unless the taxpayer agrees to pay the debt voluntarily.*
- Field tax audits may be suspended by the tax authorities in the following cases for the period of no longer than 9 months:
 - (a) When it is impossible to find the place of existence of the taxpayer – until such place has been identified;
 - (b) Head of the taxpayer (or the person substituting him/her) or a private entrepreneur loses his/her working capability – until capability has recovered;

(c) When an expertise is being conducted – until the results of the expertise have been revealed;

(d) When the information required by the tax authorities are to be provided from a foreign country – until such information is provided;

(e) When the court rules on withdrawal of documents and property as a sample - until the court decisions enter into force.

Personal Income Tax

- Revisions have been made in the personal income tax rates. The new monthly and annual rates are as follows:
 - Monthly income up to AZN 2,500: 14%;
 - Monthly income above AZN 2,500: AZN 350 + 25% of the monthly income exceeding AZN 2,500;
 - Annual income up to AZN 30,000: 14%;
 - Annual income above AZN 30,000: AZN 4,200 + 25% of the monthly income exceeding AZN 30,000.
- The amounts of exemptions from personal income tax for certain groups of people (e.g., disable people, war invalids, with three dependants) have been increased;
- In case monthly income of an employee is below AZN 200, the amount equal to minimum cost of living across the country for persons having working capability (instead of the minimum salary) is not a subject to PIT. The minimum costs of living across the country for 2013 for persons with working capability is established at AZN 125.

* - This clause has contradictions with Article 63.2 of the Tax Code, where the payment of a tax debt is required to be paid upfront, even if the taxpayer appeals against the assessment.

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- Revaluation of fixed assets does not have an impact on tax accounting and tax issues;
- The value of fixed assets in the definition of fixed assets has been increased to AZN 500 (previously, it was AZN 100).

VAT

- The threshold for mandatory VAT registration of both legal entities and physical persons engaged in business activities has been established at AZN 120,000 in any month(s) during any consecutive 12 months period. Previously, the threshold was AZN 150,000 for legal entities and AZN 90,000 for individuals;
- The threshold for VAT deregistration has been reduced to the total taxable turnover of AZN 60,000 (previously, it was AZN 75,000) during the preceding 12 months;
- All paid educational services (except for the provision of services in connection with other activities) are VAT exempt;
- The following revisions were made to determination of VAT tax point:
 - a) if the payment is made within 30 day for the supply, the date of payment; or
 - b) if the payment is made after 30 days, the time of the supplies; or
 - c) if supply of goods involves transportation, if the payment is made within 30 day period the time when the payment is made; otherwise if the payment is made after 30 days at the time when the carriage started.
- Sale of shares (participation interest) or stocks of legal entities are VAT exempt;

Tax exemptions for industrial and technology parks

- Certain privileges and exemptions for businesses operating in the industrial and technology parks have been introduced. The privileges include exemption from profit/income and property tax for seven years from the date of registration in these parks for resident legal entities and private entrepreneurs in industrial and technology parks; VAT exemption for import of equipment for construction, scientific research works and other activities in industrial and technological parks for seven years or indefinite period depending on the nature of these activities.

Road Taxes

- Revisions to the road taxes have been made. The minimum rate of the annual road tax for motor-vehicle transports (in the ownership or usage in Azerbaijan) is at the fixed rate of AZN 20. The rates for the motor-vehicle transports (in the ownership or usage in Azerbaijan) with the engine capacity of over 2,000 sm3 vary depending on the engine capacity.

Personal Income Tax Exemption on bank interests

- On 28 December 2012, President Ilham Aliyev approved the law "On Exemption from Personal Income Tax of interests on deposits of physical persons, paid by banks and other credit organizations". According to the Law, the exemption from personal income tax on interests paid by banks and other credit organizations on deposits of physical persons has been extended throughout 2013.

For detailed analysis of any or all changes into the Tax Code, please, feel free to contact PwC Azerbaijan.

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PwC's Academy Update:

DipIFR Rus

PwC's Academy in Azerbaijan starts registration for preparation course on the ACCA's financial reporting qualification exam to obtain the **Diploma in International Financial Reporting in Russian language** (DipIFR Rus) in Baku, Azerbaijan.

DipIFR Rus is the most recognized international qualification in financial reporting available in Russian language.

This Diploma is designed for accountants, auditors, financial managers, financial reporting specialists, financial controllers and the top managers that are involved in financial reporting and analysis process.

Duration of the program is 80 hours. The classes are on Wednesdays (19:00-21:00) and Saturdays (09:30-13:30) starting from 20 February 2013.

Price: 1,800 AZN plus VAT per person

For registration, please, **send** your name/last name/position/company name /tel&fax/email address to aynur.movsumova@az.pwc.com **by 10 February 2013.**

CIMA Diploma in Performance Management

At the initiative of PwC's Academy, the Chartered Institute of Management Accountants (CIMA)*, for the first time offers an international qualification in Russian language – **CIMA Diploma in Performance Management (Rus).**

CIMA program is developed for practitioners in the field of the business finances and management accounting: financial managers, management accounting specialists, accountants, company managers willing to acquire skills in using financial information for making management decisions.

The program attendees who successfully pass two exams (P1 and P2) become CIMA-accredited specialists.

Spring 2013 semester Training Schedule :

CIMA P1	CIMA P2
March 2-3, 2013 April 6-7, 2013 April 27-29, 2013	March 15-17, 2013 May 3-5, 2013

Price: 1,600 AZN plus VAT per person

Discounts:

- **10 %** early registration discount registration for any of the above mentioned courses by 31 Jan 2013;
- **5%** registration discount for more than two participants from the same organization.

For registration, please, **send** your name/last name/position/company name /tel&fax/email address to aynur.movsumova@az.pwc.com **by 20 February 2013.**

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PwC Events:

"All about construction" PwC Workshop

Are you interested in:

- The latest legislative developments?
- EPC/Turnkey Projects?
- International contracts: FIDIC?
- Financial accounting in construction: IFRS and NAS?

We are glad to provide you with a unique opportunity to get in-depth professional knowledge of various business aspects of the construction industry from the PwC experts.

Date: 13 February 2013

Time: 09:00AM-13:00PM

Location: Park Inn, Baku, Azerbaijan

Price: free of charge

To register, send your name/surname, position, company info/email and tel. # to rena.rustamova@az.pwc.com by 4 February 2013.

PwC Resource Update:

PwC Global Economy Watch Dec 2012

2013 will be the year when we start to see how the world economy will look for the rest of the century. It will be the year when businesses recognize beyond any doubt that global growth and commodity prices are now driven primarily by developments in China and India, not the US and Europe.

In the first issue of Global Economy Watch for 2013, we set out the themes we believe will dominate the global economic outlook this year and how this will impact the wider business agenda. Get the details at this link <http://www.pwc.co.uk/economic-services/global-economy-watch/index.jhtml>

Pharma 2020: "From vision to decision"

The Pharma 2020 series examines the major trends reshaping the pharmaceutical marketplace. The latest report -- "From vision to decision" -- focuses on the critical juncture that the industry currently finds itself. According to the report, the tools to develop remarkable new medicines are materializing, demand for its products is increasing, and the barriers to free trade are falling. But pharma also faces major economic and operational challenges if it's to capitalize on these opportunities and create more value for healthcare payers, providers and patients. Here, we look at how companies can reach 2020 in a position to benefit from more favorable conditions going forward. You are welcome to read the report at this link:

<http://www.pwc.com/gx/en/pharma-life-sciences/pharma2020/index.jhtml#>

IFRS pocket guide 2012

Our IFRS pocket guide 2012 provides a summary of the recognition and measurement requirements of International Financial Reporting Standards published up to August 2012. This quick-reference guide is intended for a variety of audiences, including finance directors, financial controllers and other members of the finance team, as well as broader management, actuaries, lawyers, merchant bankers and analysts.

<http://www.pwc.com/gx/en/ifrs-reporting/ifrs-pocket-guide/index.jhtml>



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Paying Taxes 2013: The global picture

The study addresses the following questions:

- Do you know how your local tax system compares with other economies?
- How have tax systems changed over the last eight years?
- What tax reforms are governments implementing around the world?
- Companies pay many taxes, not just corporate income tax – what are they and what impact do they have?

Find the answers at this link:

http://www.pwc.com/gx/en/paying-taxes/data-tables.jhtml?WT.mc_id=1112-PayingTaxes_gx+social

Technology Forecast

This issue includes three features:

- "The game-based redesign of business" examines how video game techniques are now being used in business to engage and motivate the workforce and inspire customers.
- "Improving the customer and employee experience with gaming technology" explains how many gamification technologies integrate primarily at the user experience level.
- "Getting past the hype of gamification," explains our point of view that CIOs who dismiss gamification opportunities may forego some very tangible benefits.

More at this link:

<http://www.pwc.com/us/en/technology-forecast/2012/issue3/index.jhtml>