

# PwC Azerbaijan Times

## Issue №3

### Overview of this Issue:

- New Urban Planning and Construction Code
- New rules for 'Akt' in customs audits
- Free customs circulation regime update
- Re-import customs regime update
- Customs Electronic Information System rules approved
- Release of customs information
- Update on Tax Treaties
- Import VAT and duties update
- Employment contracts registration update
- Electronic Government Portal update
- E-services update
- PwC Publications:
  - Global State of Information Security Survey 2013
  - Carbon Disclosure Project 2012
  - China's impact on the semiconductor industry
  - Family Business Survey 2012
  - PwC's Global Annual Review 2012



For any questions related to the information included herein, please contact

Farida Akhundova  
Marketing & Communications Manager  
[farida.akhundova@az.pwc.com](mailto:farida.akhundova@az.pwc.com)

**PwC Azerbaijan**  
The Landmark Office Plaza III | 12th Floor  
90A Nizami Street  
AZ1010 Baku | Azerbaijan  
Tel: +994 12 497 2515  
Fax: +994 12 497 7411  
[www.pwc.com/az](http://www.pwc.com/az)

© 2012 PwC. The material contained in this alert is provided for general information purposes only and does not contain a comprehensive analysis of each item described. No representation/warranty is given as to the accuracy or completeness of the information in the publication. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

### New Urban Planning and Construction Code

On 9 September 2012, Azerbaijan adopted the new Urban Planning and Construction Code (the "**Code**"), to come into effect on 1 January 2013.

In the past, construction rules used to be set in separate laws and other legislation acts. Introduction of the single Code has brought together separate legal acts and clarified the rules and requirements.

The Code comprises of three parts and 106 sections. It stipulates new provisions and limitations that have not been envisioned in the previous construction legislation.

For example, prior to the Code, based on the presidential decree

on licensing activities, foreign legal entities and individuals, branches and representative offices of foreign legal entities were able to apply for construction license and project design works at the territory of Azerbaijan. However, according to the Code, only those legal entities and individuals that are registered in Azerbaijan and posses license for project design works can be designers for construction works. Moreover, only legal entities and individuals registered in Azerbaijan that hold the license for construction works in Azerbaijan can act as contractors.

# PwC Azerbaijan Times

## Issue №3

### **New rules for 'Akt' in customs audits**

On 3 August 2012, the Cabinet of Ministers of Azerbaijan approved Decree #165 "On the format and principles of preparation of summary findings on the results of the customs audits".

The rules stipulate the format and preparation procedures for a report of the results of audits carried out by the customs authorities. Generally, customs audits can last for no longer than three business days. The audit should not impede the production and commercial activities of the audited entity. Repeated general audits in respect of the same goods are prohibited.

The results of the customs audit should be documented in the "Akt". The Akt should be prepared in 10 days, and in 2 copies upon the completion of the customs audit. The Akt should include general, analytical, conclusive and final parts.

### **Free customs circulation regime update**

On 3 August 2012, the Cabinet of Ministers introduced Decree # 163 "On the Rules for putting goods under free circulation customs regime". The Rules determine conditions for putting goods under free circulation regime.

### **Re-import customs regime update**

On 12 October 2012, the Cabinet of Ministers introduced Decree # 229 "On the Rules for location of goods under re-import customs regime". The Rules determine conditions when the re-imported goods could be released for free circulation in Azerbaijan without paying import VAT and duties, as well as procedures for putting the goods under re-import customs regime.

### **Customs Electronic Information System rules approved**

On 3 August 2012, the Cabinet of Ministers approved Order #164 "On the Rules of using Electronic Information System of the customs authorities".

The Rules stipulate the using of the electronic information system of the customs authorities.

### **Release of customs information**

On 3 August 2012, the Cabinet of Ministers approved Order #167 "On provision of information to the State authorities, legal entities and individuals on customs related matters". The Rules have been prepared in accordance with article 8.0.27 of the Customs Code and provide for the following methods of obtaining information on customs issues:

- from the information bureaus at the entrance of the customs authorities or via internet;
- via contacting the authorized customs officials directly or by phone;
- via submitting a written request to the customs authorities directly, via post, fax or e-mail;
- via being registered as the user of electronic information system of the customs authorities;
- Customs officials may refuse to execute the request in the following cases:

- If request for access to the information is restricted by law or the requestor is not authorized to receive such information;
- If it is impossible to determine which information is requested by the requestor;
- In absence of any relation of the request to the customs topic.

# PwC Azerbaijan Times

## Issue №3

The reason for denial should be provided in a clear and reasonable manner within 5 business days from the date of receipt of the request.

The decision on denial may be appealed in the administrative procedure or at court.

### ***Update on Tax Treaties***

- On 18-20 July 2012, Albania and Azerbaijan held the first round of negotiations of the income and capital tax treaty;
- The Income and Capital treaty signed between Azerbaijan and Slovenia on 9 June 2011 entered into the force on 10 September 2012. Dividends and interest are taxable at the rate of 8%, royalty at 5%, other payments at the rate of 10%, as per the Treaty ;
- Azerbaijan will hold the first round of negotiations on income tax treaties with Bahrain on 14-16 January 2013 and with Israel and Montenegro on 28-31 January 2012. It will be the first agreement of such type between these countries. Negotiations will be held in Baku;
- On 18 October 2012, Azerbaijani Deputy Foreign Minister and Minister of Security of Bosnia and Herzegovina signed an income tax treaty.

### ***Import VAT and duties update***

On 19 October 2012, the Cabinet of Ministers introduced Decree #238 "On amendments" to its order, dated 31 January 2005, with regard to the list of the import VAT exempted goods. The amendment provides VAT exemption for the imported gold that is transferred into the assets of State Oil Fund of the Azerbaijan Republic. The import of this

gold shall also be exempt from the customs duties based on Decree of the Cabinet of Ministers #239.

### ***Employment contracts registration update***

The Ministry of Taxes has released information that the employment contracts will be required to register in the records of the Ministry of Taxes. The Ministry of Taxes has already started creating a special database for registry of the employment contracts.

### ***Electronic Government Portal update***

The new section called the "Normative Legal Acts" has been created at the "Electronic Government" portal. This is under execution of the Decision of the Cabinet of Ministers dated 25 June 2012 "On Approval of the rules of placing draft legal normative acts of the Cabinet of Ministers and central executive authorities in the "Electronic Government" portal". The portal is to facilitate general public discussion of draft legal acts.

### ***E-services update***

On 17 October 2012, the Cabinet of Ministers approved Decree #235 and issued the list of the e-services of a number of the ministerial bodies (e.g. Ministry of Foreign Affairs, Ministry of Taxes, Ministry of Justice, etc).

# PwC Azerbaijan Times

## Issue №3

### PwC Resource Update

#### ***Global State of Information Security Survey 2013***

Key themes from this year's Survey cover the following:

- How do organizations assess their security practices;
- The decline of capabilities over time;
- Alignment, leadership, and training are key;
- The new world order: Asia advances, South America makes its move, and other regions try to maintain their position.

More details at this link:

[http://www.pwc.com/gx/en/consulting-services/information-security-survey/index.jhtml?WT.mc\\_id=0920-GISS-2013+social?WT.mc\\_id=email\\_09-12\\_news-alert\\_Global\\_State\\_of\\_Information\\_Security\\_Survey\\_2013](http://www.pwc.com/gx/en/consulting-services/information-security-survey/index.jhtml?WT.mc_id=0920-GISS-2013+social?WT.mc_id=email_09-12_news-alert_Global_State_of_Information_Security_Survey_2013)

#### ***Carbon Disclosure Project 2012***

This report examines carbon reduction activities at the world's largest public corporations and has found that, despite the economic downturn, climate change is still on the board's agenda, with 96 percent of companies saying they have board or executive level oversight of the issue. Visit this link for more details:

[http://www.pwc.com/gx/en/sustainability/publications/carbon-disclosure-project/index.jhtml?WT.mc\\_id=email\\_09-12\\_news-alert\\_CDP\\_2012](http://www.pwc.com/gx/en/sustainability/publications/carbon-disclosure-project/index.jhtml?WT.mc_id=email_09-12_news-alert_CDP_2012)

#### ***China's impact on the semiconductor industry***

This annual PwC report takes a comprehensive look at China's impact on the worldwide semiconductor industry.

A new chapter of this report will be released every four to six weeks. The most recent release now available, Chapter 3 -- "Design in China: Noticeable growth" -- gives an overview of IC design in China. Follow this link for the full version of the report:

[http://www.pwc.com/gx/en/technology/chinas-impact-on-semiconductor-industry/index.jhtml?WT.mc\\_id=email\\_8-12\\_news-alert\\_china-impact-on-semiconductor-industry-chapter-3](http://www.pwc.com/gx/en/technology/chinas-impact-on-semiconductor-industry/index.jhtml?WT.mc_id=email_8-12_news-alert_china-impact-on-semiconductor-industry-chapter-3)

#### ***Family Business Survey 2012***

The 2012 Family Business Survey - "Family Firm: A resilient model for the 21st century" has been launched. This year, 1,952 family businesses took part from over 30 countries, including, for the first time, Australia, China and India.

According to this year's survey, 80% of family businesses have strong and confident ambitions for growth. This provides a good opportunity to realize their goals and growth targets. More details here:

[http://www.pwc.com/gx/en/pwc-family-business-survey/about.jhtml?tab\\_id=1](http://www.pwc.com/gx/en/pwc-family-business-survey/about.jhtml?tab_id=1)

#### ***PwC's Global Annual Review 2012***

PwC continued to perform strongly in the financial year 2012, and retained its Number 1 position globally with gross revenues for the 12 months ending on 30 June 2012 up 8% to US\$31.5 billion. Learn more about our achievements at this link: <http://pwc.to/QKf126> .