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Issue №6

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Rules for inspection of businesses

The Parliament (Milli Majlis) has passed a law on regulation of inspections in the sphere of entrepreneurship and protection of the rights of the entrepreneurs. The law will come into effect after 6 months after the official publication on 29 August 2013.

The intention of the law is to determine the goals and principles of state inspections, organization of conduct of inspections, rights and responsibilities of inspection bodies and their officials, requirements for protection of the rights and interests of the businesses.

The law applies to any inspections that involve a visit of the inspection body to the business operation and all types of inspections including audits, expertise, monitoring, surveillance, raids, and other similar actions.

The law does not apply to tax audits, except several provisions regarding

ethical, competency and certain general rules for conduct of audits.

In general, the Law addresses the issues such as risk assessment principles, on-line registry of inspections, organization and conduct of inspections, product research (testing) and sampling, restricting the operations of businesses in specific cases, decision making as a result of the audit, and appeal and liability.

Some of the key points in the law are set below:

- The law clarifies the cases when the official appointed by the respective state body to audit is not allowed to audit the business (e.g., when he or she is the founder, close relative of the shareholders of that business).
- The amount of penalties, financial sanctions, and other measures may not serve as criteria for evaluating the performance of the inspecting body and its officials.

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- The businesses under the audit may contact the inspection body to receive advice and assessment of the situation. The auditors are obliged to give written or verbal explanations to the business and provide guidance. The business may not be held liable for violations if they followed the methodical guidance of the inspection bodies, unless the law changed since the issuance of the guidance (this rule will be applicable to tax audits as well).
- Timing of audits will be based on risk groups that the businesses will be allocated to - high, medium and low. This allocation will be based on the factors such as the scale of the operations of businesses, the terms of their operations, the previous results of conducted inspections, the area of activities of the businesses, etc. An audit may not be conducted more frequently than the timeline specified in the law for each risk group. These risk criteria are not applicable to tax audits.
- Unplanned (emergency) audits may be conducted only in cases specified in the law (e.g., provision of false information).
- A single registry of inspections should be created by the Ministry of Justice so that the businesses can obtain the information about the period, sequence, repetition, and results of the audits. Details of the registry are yet to be worked out.
- The President of the Azerbaijan Republic instructed the Cabinet of Ministers to harmonize other laws with the new law and propose penalties for breaching the provisions of this law.

Tax Partnership Agreements – The Form and Rules for Conclusion

To remind you, effective from 1 January 2013, the Tax Code of the Azerbaijan Republic envisages the possibility of conclusion of a tax partnership agreement between taxpayers and tax authorities with the intention to minimize tax risks.

The Cabinet of Ministers released Decree # 190 on the rules on conclusion and form of a Tax Partnership Agreement.

The goals stated in Decree #190 are to stimulate the development of entrepreneurship, involve the businesses in the activities of the tax offices, minimize tax risks, increase the voluntary compliance with the tax rules, etc.

Conclusion of a tax partnership agreement will mean undertaking of the tax authorities to advise the taxpayer on taxation of transactions, inform of changes to tax laws, and provide methodical advice on fulfilling tax obligations. In their turn, the taxpayers undertake to fulfill the tax obligations under the Tax Code, provide e-access to their accounting records in specific cases, etc.

Double Tax Treaty with Macedonia

On 22 July 2013 the Macedonian Parliament approved and ratified a double tax treaty with Azerbaijan.

The treaty was signed in Baku on 19 April 2013. The double tax treaty will enter into force after countries exchange ratification instruments, and it will apply from January 1 of the year following its entry into force. The Azerbaijani parliament ratified the treaty and the President of Azerbaijan signed it on 21 June 2013.

Increase of the base part for labor pensions

According to an order of the President of the Republic, dated 27 August 2013, the amount of the base part of pensions is determined as AZN 100, effective from 1 September 2013.

Fees for rendering specialized services in the field of inventions, utility models, industrial design, trademarks and geographical indications

The Cabinet of Ministers of the Republic of Azerbaijan issued a decree approving fees for rendering specialized services in the field of trademarks and geographical indications and fees for rendering specialized services in the field of inventions, utility models and industrial design, dated 14 August 2013.

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The Decree covers services such as :

- preliminary or essential examinations of applications for receiving patents for inventions, utility models and industrial designs;
- conduct of informational research based on one application document and preparation of the report;
- keeping in force the Eurasian patents related to the Republic of Azerbaijan,
- processing of applications under the agreement on "Cooperation in the Field of Patents" and the Geneva Act of the Hague Convention, inspecting the compliance with the requirements of the expertise based on formal features, and etc.

Fees for the services vary between AZN 2 to AZN 710 (VAT excluded).

The Law "On Customs Tariffs"

The new Law "On customs tariffs" was passed by Milli Majlis and will come into effect after 90 days since its official publishing (5 July 2013 in the official newspaper *Republic*).

This Law defines conditions for determination of the rates of customs tariffs, types of customs tariff rates (e.g. ad-value, specific and combined), seasonal tariffs, special, antidumping and compensation tariffs, determination and declaration of custom value (e.g. determination based on the contract price, etc.), concessions and exemptions from customs tariffs and etc.

Rules on the registry of customs transactions

On 12 July 2013 the Cabinet of Ministers of the Azerbaijan Republic issued the rules as per Article 168.1 of the Customs Code, and defines the rules on the registry of transactions of the permit holder, procedure holder, as well as the persons dealing with storage, production, processing, purchase and sale of goods in free zones.

Pursuant to these rules, permit holders, procedure holders or persons dealing with storage, production, processing purchase and sale of goods in free zones shall carry out the registry of their operations which will enable the customs authorities to identify the goods, to determine the customs status of the goods, and to perform the control over the carriage of the goods.

The Rules define the permit holder and the procedure holder as follows:

- permit holder – the person who obtained the right to place the goods under the processing or special usage special customs procedure
- procedure holder – holder of the special customs procedures, with except of the transit customs procedure

ADA and PwC Azerbaijan are jointly organizing a course on Budgeting and Forecasting

As part of long-term cooperation arrangement, ADA and PwC's Academy in Azerbaijan are jointly organizing a course on "Budgeting and Forecasting". This cooperation will expand the offering of high-quality training and innovative learning solutions for business community in Azerbaijan and a wider region.

Launched by: ADA Executive Education Corporate Programs and PwC's Academy

Date and Time: October 9– 11, 2013

Deadline for Application: September 25, 2013

Course Overview:

Budgeting and Forecasting is a 12-hour course designed for CEOs of companies and branches, finance directors, economists and specialists on financial planning, chief accountants, accountants, financial analysts, internal auditors. Budgeting is recognized as one of the most efficient tools for management, considering drawing up detailed plan on organization performance and control over its accomplishment. Course will cover, but not limited to classification of financial liability centers, unified standards of company budget procedure, preparation of budget models based on various forecasting modules, budgeting oriented at targeted financial indicators etc.

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Who Should Apply:

This program is designed for the budgeting and forecasting specialists working for commercial entities. However, any person with moderate finance/accounting and reporting background and who are well informed on the budgeting procedures may also find the course very useful and relevant to their academic and professional career as the structure and content of the courses follows from the less complex to more comprehensive topics. Participants are expected to have some basic understanding of business and finance.

Holds open and corporate courses for leading Russian companies (TNK-BP, Central Bank of Russia, Trading House "Synergy-Market")

Semen is holder of CMA (Certified Management Accountant, USA), CIMA (Chartered Institute of Management Accountants, UK) "Performance Management", DipIFR diplomas. He holds Ph.D. in Economics.

Key Topics:

- Classification of financial liability centers,
- Unified standards of company budget procedure,
- Preparation of budget models based on various forecasting modules,
- Budgeting oriented at targeted financial indicators,
- Regular analytic monitoring of budget performance,
- Continuity of budgeting process.

Program Fee: 695 AZN

The program fee includes program tuition, course notebook and all other written materials (in Russian), any assessments required for the course, and tea/coffee breaks.

Program Benefits:

The participants will obtain necessary practical skills and knowledge that would assist them to introduce up-to-date concept of budget governance, aimed at company's goals completion; to develop financial structure of company and effective methods of budgeting; to establish clear organizational procedures for budgeting; to analyze and to control budget performance, referring to various budget items and understanding reasons for indicators deviations.

Instructor's Biography:

Mr. Semen Vorobyov is PwC Academy (Russia) Manager since 2010. He's specialized in training for CIMA Performance Management official exam, as well as developing and leading workshops on corporate finance (including Finance for managers, Financial analysis, Company budget, Going for IPO).

