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### **Tax Code changes**

#### *Property Tax and Land Tax*

The rates of property tax and land tax for physical persons were ratified by the Parliament (Milli Majlis) with law, dated 20 June 2014, and will come into effect on 1 January 2015.

Property tax of physical persons will be calculated based on the area of the building and property tax rates will vary between 0.1-0.4 AZN per square meter depending on the location of the building (e.g., in Baku the rate is AZN 0.4 per square meter).

In the residential areas, property tax will be applied only to the area of the property exceeding 30 square meters. If the building is located in Baku, tax will be calculated applying coefficients (min. 0.7 and max. 1.5).

Except for agricultural lands, the land tax rate per 100 square meters of a land plot will vary between 0.1-20 AZN depending on the purpose of the land and its location.

### **Civil Code changes**

On 3 June 2014, the President of Azerbaijan made changes to Decree # 386. The following major changes and additions have been made:

- The rules on maintenance of address registry and provision of addresses to immovable properties are determined by the President of Azerbaijan.
- During liquidation of legal entities, a liquidation committee applies to the Ministry of Taxes and State Social Insurance Fund to identify existence of debts on obligatory payments to the state budget and state social insurance

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contributions.

- During the liquidation of legal entities, in case the liquidating legal entity does not have a shareholder or inheritor of a shareholder, the property of the liquidating legal entity is passed to the state and accepted by the State Committee on Property Matters

- The information on state registration of legal entities shall be published in below media:

- Information on non-commercial legal entities and educational institution - "Justice" newspaper

- Information on religious organizations – "Society and religion" newspaper

- Information on commercial legal entities – "Taxes" newspaper

### ***Compulsory insurance agreement***

According to the Law on Compulsory Insurance against the loss of working ability during production and labor diseases, a compulsory insurance agreement in a written form is concluded based on the application of an insurer.

The Ministry of Finance approved the content and the form of the compulsory insurance agreement by decree # Q-14, dated 30 June 2014.

### ***New administrative penalties for violation of statistics reporting***

An administrative fine for incorrect statistical data, in particular, failure to provide necessary information for statistics observations or provision of falsified reports, has been increased up to AZN 300-700 (a law, effective from 16 July 2014).

### ***State registration of branches or representative offices of non-governmental organizations***

The Cabinet of Ministers passed decrees # 184 and 185, dated 6 June 2014. The following clarifications and revisions have been made:

- An agreement with the Ministry Justice which is required for state registration of branches or representative offices of foreign NGOs shall include the effective duration of such agreement.

- The rules on the form, content, and preparation of financial reports for NGOs shall be extended to branches and representative offices of foreign NGOs.

- The rules on the form, content, and preparation of financial reports for NGOs specify that in case non-governmental entities and their branches and representative offices do not file annual financial reports timely, administrative liability may arise.

### ***FATCA news***

The Ministry of Taxes uploaded the following items for implementation of FATCA into the [www.taxes.gov.az](http://www.taxes.gov.az) website of the Ministry of Taxes:

- User guide with regard to implementation of FATCA – uploaded on 10 July 2014

- Video guide to register in FATCA portal – uploaded on 8 August 2014

The Milli Majlis has passed several laws for compliance with FATCA requirements:

### ***Tax Code change***

The following two articles were added to the Tax Code and came into effect on 12 July 2014.

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- Article 76.2-1: In accordance with the international agreements concluded between the Republic of Azerbaijan and other countries, banks and other credit organizations with banking operations shall supply information, about the financial operations in the territory of the Republic of Azerbaijan of legal entities and individuals of such countries, to the competent bodies of such countries through the relevant state authority (i.e. Ministry of Taxes of the Republic of Azerbaijan) to the extent and manner determined by the relevant state authority (i.e. Cabinet of Ministers of the Republic of Azerbaijan).

- Article 60.1.4: Failure of banks and credit organizations with banking operations to comply with the aforementioned reporting requirement will trigger a financial sanction at the rate of 30% of the total amount of the conducted operation, or if no operations have been conducted, AZN 400 for each such account.

*Banking Law, Law on Personal Information and Law on Insurance Activity*

Article 41.2, Article 13.2-1 and Article 6.2.10 were added respectively to the Law on Banks and Law on Personal Information and contain the following text (all articles entered into force on 13 July 2014):

- In accordance with the international agreements concluded between the Republic of Azerbaijan and other countries, information about the financial operations of legal entities and individuals of such countries in the territory of the Republic of Azerbaijan, shall be reported to the competent bodies of such countries directly or through the Ministry of Taxes of the Republic of Azerbaijan to the extent and manner established by the Cabinet of

Ministers of the Republic of Azerbaijan.

### ***Rules on registering employment contracts in electronic system***

On 6 June 2014, the Cabinet of Minister adopted Resolution #183 on the “Rules on form of employment contract notification, rules on uploading of these notifications into electronic information system, form of information sent to employer regarding registration of notification of employment contract, including rules on provision of information on registration of notification of employment contract in real-mode” effective from 13 June 2014. (see PwC Times Issue #1, January 2014).

The Rules define notification forms of an employment contract, the process of inclusion of an employment contract notice into the electronic information system, etc. Under these rules, employers should enter information into the e-system of the Ministry of Labour and Social Protection with the purpose of electronic registration of employment contracts, amendments to and termination. The system has already been integrated into the e-government portal, and requires one of the electronic authentication means, such as electronic signature or *ASAN imza* to login into the system. Employment contracts notifications may be entered into the electronic database either by the employer or its authorised representative.

The e-information system was launched on 1 July 2014. The employers shall register all contracts of employments notification concluded after 1 July in the system immediately. All other contracts concluded before 1 July shall also be entered into the system.