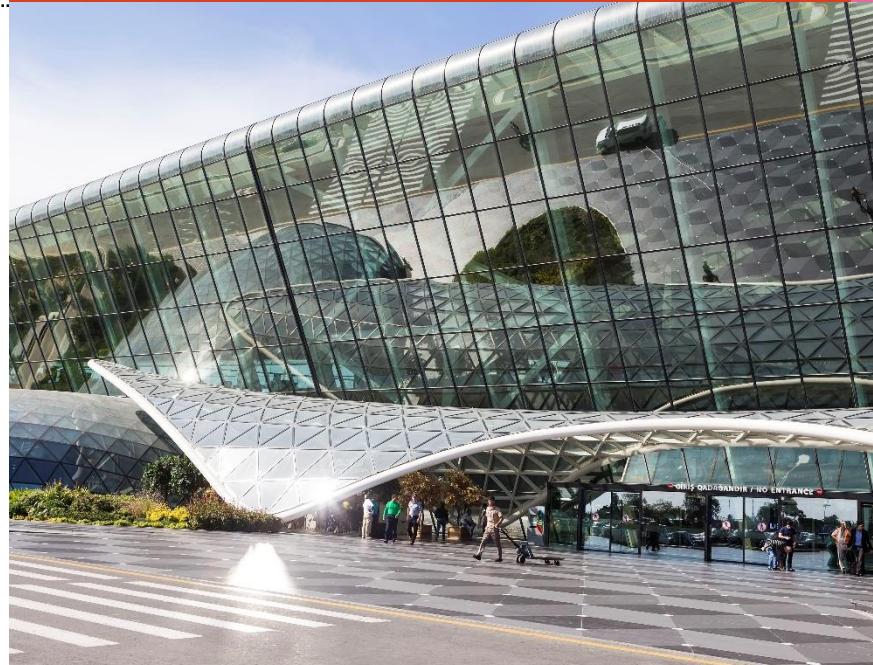


PwC Azerbaijan Times

Issue №18

Overview of this Issue:

- **Changes to the Tax Code**
- **Amendments to the Law on Central Bank**
- **Amendments to the Code of Administrative Offences**
- **Amendments to the Criminal Code**
- **Draft law on amendments to the Labor Code**



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

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Changes to the Tax Code

The Law on Changes to the Tax Code, dated 14 April 2017, introduced several amendments to article 58.7-1 of the Tax Code.

According to new changes, taxpayers are subject to financial sanctions for failure to conduct below listed operations cashless, i.e. for receiving in cash:

- Receipt of money by leasing providers and loan issuers;
- Payment of insurance payments and receipt of insurance premiums by insurer or reinsurer;
- Receipt of service fees and other levies by state authorities, state entities, budgetary organisations and public entities;
- Receipt of stationary phone charges and utilities;
- Receipt of tuition fees;
- Receipt of fees for tourism agency services.

Furthermore, taxpayers are also

subject to financial sanctions for failure to conduct below listed operations cashless, i.e. for paying in cash:

- Any payments over AZN 30,000 per calendar month by VAT payers and/or by taxpayers engaged in trade and (or) public catering whose taxable turnover exceed AZN 200,000 in any 12 month period;
- Any payments over AZN 15,000 per calendar month by other taxpayers;
- Payment of salary and other relevant compensations to employees*;
- Any payments out of funds earned from state procurement contracts.

The amount of applicable financial sanctions depends on the number of violations in a calendar year and includes below percentages of all operations involving violation of the Law:

- 10% - one violation in a calendar year;

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- 20% - two violations in a calendar year;
- 40% - three or more times in a calendar year.

Note: This requirement is not applicable to those engaged in retail trading, public catering and service industry whose taxable supply are below AZN 200,000 in any month (months) of a consecutive 12 month period.

Amendments to the Law on Central Bank

Amendments terminate the article of the law regulating extension of targeted loans funding socio-economic projects and supporting real sector of economy, built on the state guarantee. Amendment also eliminates the clause of the law enabling Central Bank to acquire securities issued by the state to cover targeted loan commitment.

Amendments to the Code of Administrative Offences

Amendments set fines for the following offences:

- 1) Operation and administration of a ship with discrepancies that violate maritime security and contradict to requirements of international conventions and executive authorities;
- 2) Activity of sea ports without the documents listed in "The International Ship and Port Facility Security Code";
- 3) Appointment of persons not holding the relevant license for performing the activities in a ship requiring license under "The International Convention on Standards of Training, Certification and Watch keeping".

Amendments to the Criminal Code

According to amendments, violation of the rules for allocation of land plots for construction by officials will cause criminal liability. Previously violation of these rules was subject to administrative liability. The liability for violation of these rules varies from two years of corrective works and deprivation of right to hold certain positions and engage in certain activities to imprisonment up to eight years.

Draft law on amendments to the Labor Code

According to the proposed amendments, terminating an employment agreements due to staff reductions, employer will need to take the experience of an employee into consideration. In case if an employee has less than one year experience, the notification regarding the termination of employment agreement should be sent to him/her at least 2 weeks in advance, employees having an experience between one and five years should be notified 4 weeks in advance, while employees having experience between one and ten years should be notified about the termination of their employment agreements at least nine weeks in advance.

The experience of an employee should also be considered when calculating compensation and when calculating the amount of salary to be paid instead of notifying an employee about upcoming staff reductions (according to the Labor Code, employer may pay an employee amount of money not less than his/her average monthly salary, instead of notifying an employee about employment agreement termination in advance).

This alert is based on a draft law. We will monitor it and update information once the draft law is adopted.