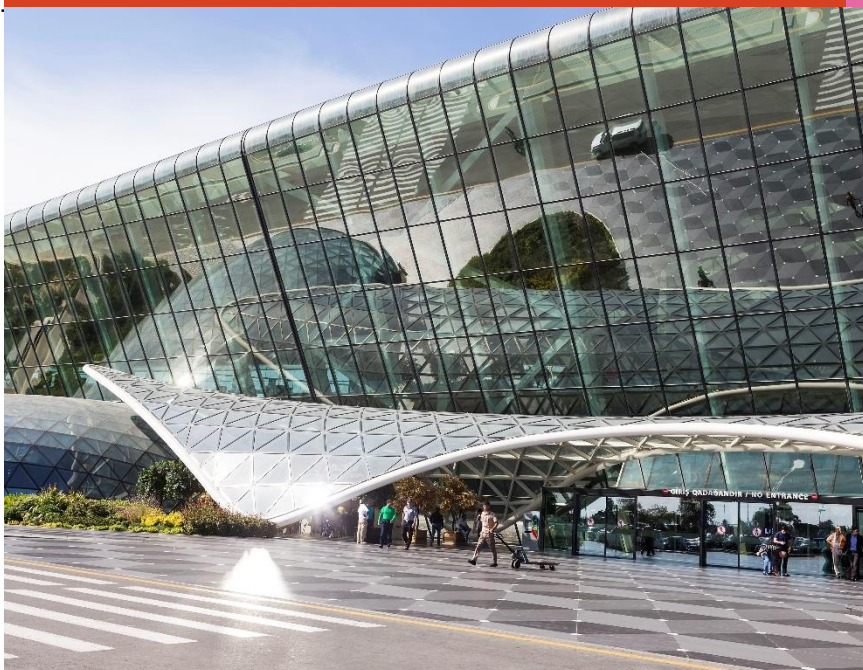


Overview of this Issue:

- **List of preferential tax jurisdictions**
- **New rules on Administration of Double Tax Treaties**
- **Draft law on amendments to the Customs Code**
- **Draft law on “Insurance on unemployment”**
- **Establishment of State Advertisement Agency**



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List of preferential tax jurisdictions

On 11 July 2017, by the executive order of the President the list (the “List”) of countries and territories with preferential tax regime was approved.

We note that the transactions with the any person registered or established in either of these jurisdictions over AZN 500,000 per person/per annum are subject to Azerbaijani Transfer Pricing Regulations.

Also, if any resident person owns directly or indirectly more than 20% or more of the shares of any company deriving income in either of above jurisdictions, he/she is liable for reporting and paying taxes on such income pursuant to Azerbaijani Controlled Foreign Corporation (“CFC”) rules.

The list of countries and territories with preferential tax regime must be approved for each year.

According to the List, the following countries and territories are considered a favorable tax jurisdiction:

Andorra	Liberia
Anguilla	Liechtenstein
Antigua and Barbuda	The Maldives
Aruba	Man Island
Netherlands Antilles	Marshall Islands
The Bahamas	Montserrat
Bahrain	Monaco
Bermuda	Macau
British Virgin Islands	Nauru
Belize	Niue
Barbados	Panama
Gibraltar	Palau
Jersey	Seychelles
Dominica	St. Kitts & Nevis
Hong Kong	Samoa
Cayman Islands	St. Vincent and the Grenadines
Cook Islands	St. Lucia
Costa Rica	Turks & Caicos Islands
Guernsey	Vanuatu
Grenada	US Virgin Islands

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New rules on Administration of Double Tax Treaties

Ministry of Taxes approved new Rules on Administration of Double Tax Treaties ("Rules"). The Rules have been enacted as of July 1, 2017 repealing the old rules.

The Rules introduce several notable novelties compared to the old rules. We are studying the Rules very carefully and will provide more detailed information in our next issue.

Draft law on amendments to the Customs Code

The draft law creates an opportunity to present customs notifications and application in an electronic form. Also, amendment removes the definition of cargo customs declaration (the only document that has been required for goods re-loading) from the Code.

Draft law on "Insurance on unemployment"

The proposed law establishes mechanisms improving people's social security in the labor market. According to the draft law, the 0,5% of person's salary will have to be paid to the State Social Protection Fund of Azerbaijan both by an employer and an employee for unemployment insurance. A dismissed from job person will have to register as unemployed in State Employment Service under the Ministry of Labor and Social Protection. Following the registration, insurance will compensate person's unemployment up to 6 months and during that time will try to find an appropriate job for him/her. The amount of compensation will depend on the work experience of an employee.

Establishment of State Advertisement Agency

For the purposes of advertisement placement, production and broadcasting matters regulation, the President established a new public legal entity - the State Advertising Agency (the "Agency"). The President's Administration has been instructed to prepare the Agency's draft charter and present proposals regarding those who will act as founders of the Agency.