

PwC Azerbaijan Times

Issue №22

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Various executive orders for accounting of income and expenses for tax purposes

Various executive orders for accounting of income and expenses for tax purposes relevant to taxpayers who engaged in the retail, wholesale, public catering and manufacturing have been issued in 2017 as follows:

- **retail** - 19 April 2017;
- **public catering** – 19 April 2017;
- **wholesale** - 16 June 2017;
- **manufacturing** - 16 June 2017.

The rules provide guidance on documentation of movement of inventories for determination of income and expenses. They increase the levels of transparency as well as accounting and financial reporting.

Article 58.8.2 of the tax code obliges taxpayers to prepare and keep accounting records pursuant to article 130.1-1. These accounting rules (based on article 130.1-1) require preparation and issuing of documents including the following:

- Electronic/hard copy delivery note;
- Electronic VAT invoice (if goods are purchased from a VAT payer);
- Goods received act;
- Goods purchased act (if goods are purchased from a person with no tax registration);
- Power of attorney to advance holder (if an advance holder purchases goods on behalf of a company);
- In the case of import of goods, the contract, invoice, custom declaration, transportation and receipt for custom duties etc.;
- Note for internal (within a company) movement of inventory;
- Wastage act (similar documentation depending on the transaction and sector).

All documents mentioned in the Rules (some specified above) are formal reporting forms. The format is approved by the Ministry of Finance. The purchaser is subject to financial sanctions (calculated on the cost of the

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goods purchased) for missing any of the documents:

- **10%** - for one violation in a calendar year;
- **20%** - for two;
- **40%** - for three or more.

As a reminder, a new rule on accounting in accordance with IFRS and National Accounting Standards for commercial entities (NASCO), issued by the Ministry of Finance, came into force on 9 February 2017. The rule is based on the Accounting law effective of 7 February 2005.

Matters covered by the rule include:

- Basic accounting definitions;
- Components of Financial Statements/basic financial statements;
- Basic principles/concepts in accordance with IFRS and NASCO;
- The qualitative characteristics of financial information;
- Valuation of components of financial statements;
- Preparation of initial bookkeeping documents and registers;
- Organisation of accounting service;
- The concept of chart of accounts as per IFRS and NASCO;
- Double entry guidance as per IFRS and NASCO.

Amendment to the law on Compulsory Insurance

According to the amendment, payment of insurance settlements shall only be made in non-cash form.

Amendment to the Law on Deposit Insurance

Amendment sets that the Trustee Board of the Deposit Insurance Fund shall consist of one Financial Markets Supervisory Authority's representative, one representative of the Central

Bank, three representatives of relevant executive authorities (one from the Ministry of Labour and Social Protection of Population, one from the Ministry of Finance, one from the Ministry of Economy) and two representatives of member banks.

Amendment to the Law on Central Bank

According to the amendment, the Board of Directors of the Central Bank will need to agree their following actions with the President:

- Approving and making amendments to the budget of the Central Bank;
- Determining the strategy and rules for the maintenance and management of international gold and currency reserves;
- Defining the organizational structure and management procedures of the Central Bank;
- Forming labour remunerations in the Central Bank.