

### **TAX CODE AMENDED**

On 11 January, amendments to the Tax Code of the Republic of Azerbaijan were promulgated and came into effect from that date.

#### **Bank Deposits**

The amendments confirm non-extension of the long-standing exemption from the income tax of interest payable by banks and financial (credit) institutions on deposits with them of individuals – please refer to our March 2014 update on the latest and the last extension for 2014.

The Tax Code now provides that the part not exceeding AZN500 of annual interest payable by local banks and branch offices of foreign banks in Azerbaijan for deposits of individuals is exempt from taxation. Previously, all interest was exempt. The amendment to Sub-Section 123.1 of the Tax Code clarifies that the exemption and taxation would be applied by those paying the interest and that the tax rate applicable is ten per cent.

It remains to be seen how the transition from exemption to taxation would be implemented in practice. For instance, if interest payable at the end of a termed deposit is paid on 10 January 2015, will the tax rate apply to the entire interest amount payable or only that part accrued starting 2015 and whether the AZN500 exemption (effective 11 January) will apply.

#### **Highway-User Tax**

Payers of this tax are now non-resident owners (possessors) of vehicles entering the Republic of Azerbaijan and using its territory for passenger and cargo transportation as well as persons manufacturing in or importing into the Republic of Azerbaijan motor gasoline, diesel fuel, and liquefied petroleum gas (LPG).

Comparing to the previously applicable provisions, this tax is now not paid by persons owning vehicles in Azerbaijan, however, the tax is now paid by manufacturers and importers of the motor gasoline, diesel fuel, and LPG. Such manufacturers pay the tax by adding AZN0.02 to the wholesale price per each litre of the gasoline, diesel, and LPG; the importers' tax is applied at the same rate to the customs value (to be not less than the wholesale price) of the imported gasoline, diesel, and LPG.

#### **Excise**

Import of platinum, gold, items made of it, and processed diamonds is now subject to excise at rates determined in the Tax Code.

Excise rates for items that previously were subject to excise were revised (generally, increased, at times, substantially).

#### **Property and Land Taxes**

The property tax amount payable by an enterprise for water transport means on its balance sheet used for passenger and cargo transportation will be reduced by 25 per cent.

Earlier in 2014, amendments were passed effective 2015 concerning assessment of the property tax for residential and non-residential premises of individuals and of the land tax.

### **COMPANY DIRECTORS MUST RESIDE IN AZERBAIJAN**

Beginning November 2014, directors, managers, and others with the authority to represent an Azerbaijani entity or a branch/office of a foreign entity in Azerbaijan started experiencing problems with logging into the system for the purposes of sending and receiving electronic documents to and from the tax and other offices. This resulted in a practical requirement for the directors, managers, and others with the authority to represent companies in Azerbaijan to be physically staying here.

E-correspondence with tax authorities requires that a person representing a corporate taxpayer use the ASAN Imza ('easy signature') to be able to log into the document and correspondence management system. A person without the right to stay in Azerbaijan evidenced by a "permanent" ID or temporary residence card is unable to proceed with logging into the system using the ASAN Imza. In other words, if a temporary residence permit of a foreigner expired, the person is no longer able to log into the system to send or receive e-documents from the tax and other governmental offices that require e-correspondence through ASAN Imza.

The change did not come through an amendment to any existing regulations or through introduction of new regulations. Upon submission of documents for the ASAN Imza, a residence permit (or an ID document) is required (which requirement has been in existence from the time that ASAN Imza was introduced) and the ability to use ASAN Imza is tied to (among other factors) the term of the permit (the ID document).

It remains to be seen if, upon a loss of a permit or an ID card, the ASAN Imza will likely become unavailable for the use upon the notification (presumably, through a publication) of the loss by the holder. Similarly, it is unclear if the ASAN Imza can be used by someone based outside Azerbaijan while the document for staying here remains valid. We understand this would be limited to only a technical ability to receive notifications on an Azerbaijani cellular phone number while using it abroad.

As a practical tool, foreign companies might want to consider obtaining ASAN Imza for at least two persons so that, when the signature becomes unavailable to the first signatory, the second signatory can use the signature until the status of the first signatory has been clarified.

**PLEASE CONTACT US FOR ANY QUESTIONS AND FURTHER  
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