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The following Business Brief edition contains some of the most significant recent changes made to the Azerbaijani legislation as well as a brief discussion on the draft law on Special Economic Zones.

### Profits Tax exemption for banks and (re-) insurance companies

According to the new Law "On stimulation of capitalization at banks, insurance and reinsurance companies" which will take effect from 1 January 2009, banks, insurance and reinsurance companies will be exempted from Profits Tax on the portion of their profit directed towards increasing their charter capital. The exemption is applicable for three years.

### Draft law on Special Economic Zones (SEZ)

The Parliament has recently approved the draft Law on Special Economic Zones (SEZ). The draft law displays the Government's effort to build an investor friendly infrastructure in the non-oil and gas area. The exact site/location of the SEZs is still under consideration, however, it is expected that factors such as the infrastructure and potential of each territory will be taken into the account. Among others, SEZ will be established for manufacturing, innovative technology, etc. activities. It is anticipated that the special economic zone regime would be operating for at least 20-25 years.

If adopted, the Law would create special tax and customs regimes for the activities carried out in the territory of the SEZ. In particular, the Law would exempt qualifying entities from profit tax by replacing it with a tax on total turnover at a rate of 2%. Furthermore, the VAT rate applicable in SEZ would be 0%. On the payroll tax side, significantly lower personal income tax and social contributions would be applied with respect to the personnel of the above mentioned companies. No other taxes should be applicable under the special tax regimes of the SEZ.

At the same time, customs benefits would allow qualifying entities to carry out import-export operations duty free. Similar duty-free import-export privileges should exist between individual SEZs

It is also expected that excisable goods would be specifically excluded from the scope of SEZs.

Finally, the regulations of each SEZ would set their individual life span. Selection of an operator in the SEZs would be tender-based.

### 'One Window Principle' at customs

On 11 November 2008, the President issued a decree for the introduction of 'one window principle' at the customs border of Azerbaijan for customs clearance purposes. As the decree further clarifies, one window principle should help to stimulate import-export operations, and reduce unfair obstacles at customs clearance terminals. This principle is expected to take effect from 1 January 2009.

## Liquidation of Commercial Entities

Based on the recent decree of the President, the Ministry of Taxes has been given the right to file a claim to the courts of law for liquidation of commercial entities in cases envisaged by the legislation.

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