

Tax & Legal Alert

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Tax & Legal Services

Azerbaijan has a complex legal and tax system that is continually evolving. This makes professional tax and legal advice a necessity in order to successfully manage your business. At PricewaterhouseCoopers, we provide effective and innovative solutions to our clients' complex structural and taxation problems using our knowledge of Azerbaijan's tax legislation and its relation to international laws and treaties.

For more information please visit our website at <http://www.pwc.com/az>.

Contacts:

Movlan Pashayev
Tax and Legal Partner
E-mail: movlan.pashayev@az.pwc.com
Tel: + 994 12 497 74 05

Arif Guliyev
Senior Tax Manager
E-mail: arif.guliyev@az.pwc.com
Tel: + 994 12 497 74 06

Teymur Abasgulyev
Assurance Partner
E-mail: teymur.abasgulyev@az.pwc.com
Tel: + 994 12 497 74 02

Vugar Aliyev
Assurance Partner
E-mail: vugar.aliyev@az.pwc.com
Tel: + 994 12 497 74 27

Jabar Salamzade
Advisory Partner
E-mail: jabar.salamzade@ru.pwc.com
Tel: + 994 12 497 25 15

This Tax & Legal Alert is produced by PricewaterhouseCoopers' Tax and Legal Department.

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PricewaterhouseCoopers Azerbaijan
The Landmark Office Plaza
12th floor, Nizami 90A street
Baku AZ1010 Azerbaijan
Tel: + 994 12 497 25 15
www.pwc.com/az



NEW PSA TAX PROTOCOLS HAVE BEEN APPROVED

The new Tax Protocols to the Azeri, Chirag, Guneshli ("ACG") and Shah Deniz Production Sharing Agreements ("PSA") were approved last week and entered into force as of 1 April 2010. The following new tax protocols are now in force:

- Value Added Tax;
- Taxation of Employees and Physical Persons;
- Taxation of Foreign Subcontractors.

The Import/Export Protocols remain unchanged.

The major changes include the introduction of new forms of tax reporting, which are largely based on the current statutory tax reporting forms. The new forms are more detailed and require various data on company transactions and employees.

Some of the other main changes are summarized below:

- Payments made to local or foreign physical persons for royalty and rent of movable or immovable property is subject to withholding tax at 14% (before it was 10%);
- Procedure for issuing copies of a 0% of VAT Certificate to suppliers has become more stringent.