

# Tax & Legal Alert

Republic of Azerbaijan • Number 7 - November 2009

## Tax 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>.

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## NEW PSA TAX PROTOCOLS

Following up our Alert # 5 July issue, below is the update of the status of the new PSA Tax Protocols:

1. **Azeri, Chirag, Guneshli and Shah Deniz Product Sharing Agreements** – New tax protocols have been agreed and signed by the Operator and most of the Azerbaijan Governmental Bodies. The new protocols are expected to be effective from the fourth quarter 2009, however, the effective date may be deferred till 1 January 2010.
2. **Baku-Tbilisi-Jeyhan Pipeline Host Government Agreement** – Negotiations have been mostly completed, but the final text has not yet been agreed.

We will keep you updated on the development of the Protocols approval.

## INTRODUCTION OF ELECTRONIC VAT INVOICES

The Cabinet of Ministers issued the rules for use of electronic VAT (e-VAT) invoices, effective from 1 January 2010. The main aspects of the rules are as follows:

- E-VAT invoices will replace paper VAT invoices. They shall be prepared in the Automated Tax Information System (AVIS) of the Ministry of Taxes by VAT registered taxpayers from 1 January 2010.
- All unused paper VAT invoices need to be liquidated after 1 January 2010.
- In case the customer is not VAT registered, it is possible to prepare and register e-VAT invoices electronically, print and send a signed and stamped version to the customer.

The Ministry of Taxes is currently working on more detailed rules for the new invoicing procedures.

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## CHANGES TO THE RULES FOR ISSUING TEMPORARY RESIDENCE

After approval of the rules for issuing of temporary residence to foreigners in Azerbaijan in June 2009, the Cabinet of Ministers has made some changes into these rules by decree # 126.

Now a foreign citizen is eligible to obtain temporary residence if he or she:

- invests at least AZN 500,000 into the Azerbaijan economy (the previous amount was AZN 300,000); or
- deposits at least AZN 50,000 in banks of the Azerbaijan Republic (the previous amount was AZN 15,000).

## CHANGES TO THE RULES FOR ISSUING WORK PERMIT

According to decree of the Cabinet of Ministers # 133, dated 10 September 2009, the following changes have been made to the rules for issuing work permits:

1. Employer should submit documents to the State Migration Service (SMS) instead of the Ministry of Labor and Social Protection (MLSP). SMS will review the documents and then send them to the MLSP with its own opinion;
2. The list of documents to be submitted for obtaining of work permits have been extended as below:
  - For legal entity employer – notarized copies of the charter or regulations and certificate of state registration;
  - For physical person employer – notarized copies of documents confirming the identity of the physical person and his/her tax registration certificate;
  - Health certificate.
3. MLSP decides whether to issue a work permit or not within 7 business days;
4. In order to extend the period of a work permit, the employer shall apply to the SMS at least 22 working days before the expiration of the current work permit.

## EXEMPTIONS FROM CUSTOMS DUTY AND VAT ON IMPORTED GOODS

The Cabinet of Ministers passed decrees # 138 and # 140, dated 14 and 15 September 2009, respectively, exempting the following goods from customs duty and import VAT:

1. Goods imported for investment projects in the tourism sector in mountainous regions above 1,300 meters from the sea level. This exemption is applicable if particular goods are not available inside of Azerbaijan;
2. Goods imported into special economic zones (excluding goods subject to excise tax).

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## PricewaterhouseCoopers Azerbaijan's Tax Seminar

15 December 2009, Park Inn Hotel

We are pleased to announce that PricewaterhouseCoopers Azerbaijan will be conducting a seminar for our clients dedicated to the recent changes in the tax, fiscal and investment legislation. Presentations will be delivered by our most experienced tax and accounting specialists.

Date: Tuesday, 15 December 2009  
Duration: 9.30-12.30 (with a coffee break)  
Venue: Park Inn Hotel  
Language: Azerbaijan/Russian  
Fee: Free

More details along with a registration form will be sent to you in separate e-mail shortly.

If you need more information about this event, please feel free to contact our marketing manager Dilyara Panakhova at [dilyara.panakhova@az.pwc.com](mailto:dilyara.panakhova@az.pwc.com).