Legal updates:

In this issue, we would like to bring to your attention a brief overview of the recent amendments to the legislation concerning the following:

- Prolongation of suspended inspections related to entrepreneurial activities;
- Electronic registration of a limited liability company with a foreign investment;
- Protocol on Amendment to the Double Tax Treaty with Kazakhstan;
- Renewal of the ACG PSA;
- List of raw materials and materials exempted from import VAT;

† Prolongation of suspended inspections related to entrepreneurial activities

As we delivered in our previous issues of the Legislative alert, according to the Law “On suspension of inspections related to entrepreneurial activity” (“Law”), all inspections related to entrepreneurial activity, were suspended for the period of 2 years starting from 1 November 2015. The Law did not cover tax inspections, inspections of the quality and safety of medical preparations, safety of food products, as well as inspections on cases causing potential threats to human lives and health, state security and economic interests.

On 4 November 2017, amendments to the Law prescribing prolongation of the suspension came into force. According to these amendments, respective inspections are further suspended until 1 January 2021.

† Electronic registration of a limited liability company with a foreign investment

Amendments to the Law “On state registration and state registry of legal entities” (“Amendments”) came into force on 21 October 2017. The Amendments introduced definitions of a limited liability company (“LLC”) with a foreign investment and electronic state registration of an LLC with a foreign investment. According to the Amendments, LLC with a foreign investment is defined as an LLC established by a foreigner or stateless person or a legal entity registered in a foreign country.

Based on the Amendments, LLCs with a foreign investment will be able to be registered electronically. Prior to the Amendments, electronic state registration was available only for LLCs with local investments.

† Protocol on Amendments to the Double Tax Treaty with Kazakhstan

Treaty ("DTT") concluded on 16 September 1996 between Azerbaijan and Kazakhstan.

Apart from editorial and technical changes of clarifying nature, major changes made to the DTT by virtue of the Protocol include:

- Change of scope of covered taxes (capital taxes excluded, DTT becomes applicable only to income and profit taxes)
- Changes to the thresholds and conditions of constitution of permanent establishment
- Clarification of the list of entities eligible to the exemption from withholding taxes on interests on government loan
- Extension of the scope of exchange of information between competent authorities
- Introduction of a “Limitation of Benefits” clause allowing the contracting states to implement their domestic anti-avoidance measures notwithstanding the treaty provisions.

The Protocol will enter into force after official announcement on finalization of internal procedures necessary in Kazakhstan and the date of effectiveness is subject to further notification.

**Renewal of the ACG PSA**

Renewed and restated Agreement on the Joint Development and Production Sharing for the Azeri and Chirag Fields and the Deep Water Portion of the Gunashli Field in the Azerbaijan Sector of the Caspian Sea ("ACG PSA") was approved by the Parliament. Please note that the renewed PSA becomes effective on 1 January 2018.

**List of raw materials and materials exempted from import VAT**

On 2 November 2017, the President of the Republic of Azerbaijan signed the Decree “On approval of the list of raw materials and materials exempted from import VAT” ("Decree").

According to the Decree, import of the below items is exempt from VAT:

- Burned pyrite
- Aluminum ores and concentrates
- Aluminum oxide, different from artificial corundum
- Direct reduction products of iron ore
- Wastes and scraps of ferrous metals, ingots (shingle ingots) of ferrous metals for recycling
- Electrodes used in ovens - others
- Electrodes for electrolysis installations
Amendments to the Migration Code of the Republic of Azerbaijan

According to the amendments made to the Migration Code of the Republic of Azerbaijan, effective from 4 November 2017, foreigners and stateless persons are not required anymore to submit the below documents for obtainment of a permanent residence permit (or extension of its term) in the territory of the Republic of Azerbaijan:

- Reference letter on family members (indicating their name, surname, patronymic, occupation, place of residence or location)
- Notarized copy of the marriage certificate
- Notarized copies of the documents confirming the professional qualification (if they have any) of foreigners and stateless persons.

Moreover, under the discussed amendments, employers are not required anymore to submit a copy of the document authorizing to stay in Azerbaijan foreigners and stateless persons, who are currently in Azerbaijan on the grounds other than work, for obtainment of a work permit for such persons.
Contacts

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