



Legal updates

In this release, we would like to bring to your attention an overview of the following:

- New Law adopted on combating money laundering and financing of terrorism.
- New Law adopted on Targeted Financial Sanctions.
- New clarifications were made on determining the customs value of goods in the customs legislation.
- The list of goods exempted from customs duties has been expanded.
- Relaxation of the migration rules in Alat Free Economic Zone.

New Law adopted on combating money laundering and financing of terrorism.

On December 30, 2022, the Law "On combating the legalization of the property obtained by crime and the financing of terrorism" ("Law") was adopted.

The Law was developed based on the recommendations of the FATF (Financial Action Task Force). After the entry into force, the Law "On the combating legalization of money and other assets obtained by crime and the financing of terrorism", which regulates similar relations, is repealed.

Compared to the previous legislation, the Law covers broader matters. In addition, a few new concepts such as foreign legal entities, high-risk zones, electronic transfers, matters related to the risk evaluation of the use of new technologies, etc. are included in the Law. Also, the scope of the application of legislation in this field has been enhanced, monitoring, controlling and preventive measures have been strengthened.

The Law entered into force on February 1, 2023.

- Amendments were made in the field of currency regulation.
- New Law on Micro, Small and Medium Entrepreneurship was adopted.
- The procedure for conducting notarial actions related to real estate has been amended.
- The scope of the payments made by notary's deposit account has been broadened.

New Law adopted on Targeted Financial Sanctions.

On January 31, 2023, the Law of the Republic of Azerbaijan "Targeted Financial Sanctions" (hereinafter - the "Law") was adopted.

The law establishes the legal basis and procedure for the application of targeted financial sanctions in order to prevent terrorism, the financing of terrorism, the proliferation of weapons of mass destruction, and the financing thereof in accordance with the relevant resolutions of the United Nations Security Council.

Pursuant to the law, targeted financial sanctions include freezing of assets of sanctioned individuals and institutions. The Law prohibits the transfer, conversion, or relocation of assets, as well as disposal of them, or carrying out financial or other transactions with them in any form. The law also specifies a list of assets to be frozen.

The Law entered into force on February 1, 2023.

New clarifications have been made on determining the customs value of goods in the customs legislation.

On December 27, 2022, the Laws of the Republic of Azerbaijan on amending the Customs Code of the Republic of Azerbaijan and amending the Law of the Republic of Azerbaijan "On Customs Tariff" were adopted.

According to the amendments, the determination of the customs value of goods must be based on simple and fair criteria, and procedures for customs evaluation must not differ depending on the sources of supply of goods.

Also, in accordance with the amendment, if the submitted customs declaration is not approved by the customs authority within 1 day from the date of submission due to a need to specify the customs value of the declared goods, the declarant may apply to the customs authority in writing or in electronic form, regarding the release of the goods.

Such an application is reviewed within 1 day from the time of its receipt, and the release of the goods is carried out immediately after the relevant examinations are carried out. If any inconsistency is determined, the customs authority shall provide the declarant with a written or electronic notification to make relevant adjustments to the customs value of the goods that have not been released within 24 hours from the time of the submission of the customs declaration related to those goods.

In addition, the Cabinet of Ministers will determine the rules for the application of the methods of determining the customs value, the list of which is provided in the Law of the Republic of Azerbaijan "On Customs Tariff" by April 28, 2023.

The Amendment entered into force on January 28, 2023.

The list of goods exempted from customs duties has been expanded.

Articles 20.0.22 and 20.0.23 are added to the Law "On Customs Tariff" pursuant to the laws of the Republic of Azerbaijan dated December 23, 2022, and December 27, 2022, on amending the Law of the Republic of Azerbaijan "On Customs Tariff".

According to the newly added articles, the following are exempted from customs duties from January 1, 2023:

- import of machinery, technological equipment, and devices, as well as raw and other materials by the VAT-payer residents of the territories liberated from occupation based on the list of economic activities and goods nomenclatures approved by the Cabinet of Ministers - for a period of 10 years
- import of equipment, devices, and other means for the purposes of educational activities, the list of which is approved by the Cabinet of Ministers, by state public educational institutions, based on the confirmation document of the Ministry of Science and Education of the Republic of Azerbaijan - for a period of 2 years

Relaxation of the migration rules in Alat Free Economic Zone.

On December 23, 2022, the Law of the Republic of Azerbaijan on Amendments to the Migration Code of the Republic of Azerbaijan ("Law") was adopted.

According to the changes, the period of temporary stay in the Republic of Azerbaijan ("AR") of foreigners and stateless persons ("Persons"), who came to Alat Free Economic Zone for a business or personal visit, is extended based on a petition by the authorized institution or administrative enterprise of Alat Free Economic Zone. In this case, documents on the place of residence are not required for the registration of individuals. The Persons are registered by their place of residence at the address provided by the authorized institution or administrative enterprise of Alat Free Economic Zone.

It should be noted that the issuance of temporary residence permits to the said Persons and their family members in the territory of AR is also conducted in the above manner.

In addition, the persons employed by the authorized body of Alat Free Economic Zone, administrative enterprises, and legal entities in the territory of Alat Free Economic Zone, as well as the founders of these legal entities will not be required to obtain a work permit.

The Law entered into force on January 12, 2023.

Amendments were made in the field of currency regulation.

On December 23, 2022, the Law of the Republic of Azerbaijan on amending the Law of the Republic of Azerbaijan "On Currency Regulation" ("the Law") was adopted.

According to the amendment, the national operator of postal communication was included in the concept of authorized banks, and the concept of "national currency of the Republic of Azerbaijan" was also applied to the manat funds in the accounts of the national operator of postal communication. With the new amendment, in addition to authorized banks, persons who have received a license for currency exchange activities are also considered agents of currency control and are responsible for the violations of the Law.

According to the newly added Article 16-1, the Central Bank of the Republic of Azerbaijan ("CB") establishes a unified information system ("IS"), where information about currency transactions of residents and non-residents is collected, with the purpose of ensuring the implementation of currency control.

IS was established with the purpose of including of information by agents of currency control about currency transactions and implementation of currency control. The procedure for submitting and receiving information to IS, the types of information to be submitted, and other matters are determined in accordance with the regulations approved by the CB.

The collected information is kept for the period of the storage of documents related to cash transactions and the rules of bank confidentiality apply to such information. The consent of residents and non-residents, who are subjects of information, is not required for collecting and processing information in IS. Moreover, covered persons cannot object to collecting and processing information in this system and nor can they require its destruction.

The Amendment entered into force on December 30, 2022.

New Law on Micro, Small, and Medium Entrepreneurship was adopted.

On December 2, 2022, the Law of the Republic of Azerbaijan "On the development of micro, small and medium enterprises" ("MSMs") ("Law") was adopted.

The Law, consisting of 5 chapters and 15 articles, determines the forms and methods of promoting state support for MSMs.

It should be noted that the Law regulates issues such as state policy and support in the field of development of MSMs, its forms and types, keeping a unified register of MSM subjects, training, and increasing the qualifications of their employees.

The Law entered into force on January 26, 2023.

The procedure for conducting notarial actions related to real estate has been amended.

On November 29, 2022, the Law of the Republic of Azerbaijan "On Amendments to the Civil Code of the Republic of Azerbaijan" was adopted.

The Amendment provides for the provision of real-time information and document exchange between notaries or other officials entitled to perform such notarial acts in the cases established by law and the state register of real estate through electronic information systems and their direct access to the state register of real estate through those systems.

Thus, the relevant rights are registered in the state register of real estate on the basis of the electronic copy of the notarized agreement on the disposal of real estate, transmitted in real time through the Electronic Government Information System via information systems.

Also, if the agreement on the deposit is related to the conclusion of the contract on the disposal of real estate, it must be notarized.

The Amendment entered into force on January 14, 2023.

The scope of the payments made by notary's deposit account has been broadened.

On November 29, 2022, the Law of the Republic of Azerbaijan on Amendment to the Law of the Republic of Azerbaijan "On Notary" ("Law") was adopted.

According to the newly added paragraph 6 of Article 74 of the Law, the expenses of the parties related to (i) the formalization of a contract on the disposal of real estate and to (ii) a contract on state registration of rights as determined by the legislation are paid simultaneously from the deposit account of the notary opened in a bank by indicating the destination in the payment order thereof.

The Law entered into force on January 23, 2023.

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