

Legal updates

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

- Amendments to the Labor Code
- Rules for Issuing VAT and Customs Duty Exemption Documents for Operations in the Liberated Territories
- Updated List of Entities Classified as Natural Monopolies
- Updated Excise Rates on Imported Goods

Amendments to the Labor Code

On June 28, 2024, the Law of the Republic of Azerbaijan "On the amendments to the Labor Code of the Republic of Azerbaijan" (the "Amendments") was enacted.

Pursuant to the Amendments:

- Except for certain positions in some state authorities, employment agreements are now being executed in electronic format using the electronic government system.
- Labor relations are considered established when the employment contract is concluded as an electronic document within the electronic information system. Previously, labor relations were deemed established once the employment agreement notification was registered in the system with an enhanced electronic signature and the information was electronically sent to the employer.
- The Cabinet of Ministers of the Republic of Azerbaijan will determine the phases for the gradual transition of already executed employment agreements to an electronic format.
- When changes are made to employment agreements concluded in electronic document form, the initial employment contract is re-drafted and confirmed.

- Individuals are no longer required to present a labor book for employment, except for those who are required to conclude a paper-based employment agreement.
- Employers are required to provide employees with their labor books whose data has already been transferred to the electronic information system.
- Employment details in respect of the employees working in certain state authorities, whose list is determined by the President of the Republic of Azerbaijan, are recorded in their labor books. Employers must make entries in the labor book for such employees who have worked for more than 5 (five) days. These entries should include information about the hiring of employees, any transfers to other permanent positions, and the termination of their employment agreements. The labor book should also include records of the employee's work experience, detailing the start date of employment (day, month, and year), job title or position, reasons for termination, and the date of termination.
- The period of employment of the employees working in state authorities whose list is determined by the President of the Republic of Azerbaijan, along with other employees whose employment contracts were terminated prior to July 1, 2014, is determined based on their labor books.
- Employers are not permitted to request documents from employees that are accessible through the relevant state information systems and resources.
- Furthermore, employers are required to register FTE units in the electronic information system according to their organizational structure and hierarchy of positions.
- The termination date of the employment agreement cannot be set to a date prior to the signing of the order or decision on this matter, except in cases where the employee has deceased, or has been declared missing or deceased by a legally binding court decision.
- In case of termination of electronically concluded employment agreements, the employer's order or decision on this matter should be signed via an enhanced electronic signature in the electronic information system and stored in the employee's electronic cabinet within the system.
- The required notice period for terminating a fixed-term employment agreement is now established at a minimum of one week before the agreement's end date.

The Amendments came into force on August 12, 2024.

Rules for Issuing VAT and Customs Duty Exemption Documents for Operations in the Liberated Territories

On July 22, 2024, the Decision "On the approval of the Rules for issuing confirmation documents for machinery, technological equipment, installations, raw materials, and materials used in economic activities, as well as goods nomenclatures exempt from value added tax and customs duties for operations in the liberated territories" (the "Rules") was adopted by the Board of the Ministry of Economy of the Republic of Azerbaijan (the "Ministry of Economy").

As per the Decision of the Cabinet of Ministers dated August 5, 2023, a confirmation document should be obtained to be exempt from VAT and customs duties for machinery, technological equipment, installations, raw materials, and materials used in economic activities, as well as in goods nomenclatures. The Rules determine the procedure for issuing this document.

For the purposes of the Rules, the term "resident of the liberated territories" refers to legal entities and individuals who are registered for tax purposes in the liberated territories, and who conduct their operations directly within that territory.

The residents should submit a written application to the Ministry of Economy in order to obtain a confirmation document. Before applying for a confirmation document, applicants must submit the form containing the consumption norms required per unit of product produced, as specified in Appendix No. 1 of the Rules. This form is reviewed and used as a basis during the issuance and evaluation of the confirmation document if no inconsistency is detected.

The Rules also determine the list of other documents, such as the contract on the purchase of the equipment and materials to be imported, that should be attached to the application.

The Ministry of Economy reserves the right to suspend or revoke the confirmation document issued to any resident.

The Rules entered into force on August 7, 2024.

Updated List of Entities Classified as Natural Monopolies

On August 1, 2024, Decision "On the approval of the List of natural monopoly subjects" (the "List") was adopted by the Cabinet of Ministers of the Republic of Azerbaijan and the Decision of the Cabinet of Ministers of the Republic of Azerbaijan "On the approval of the List of natural monopoly subjects", dated July 19, 2013, was repealed.

According to the List, the number of entities classified as natural monopolies has been reduced by approximately fourfold, from 141 to 36.

The List includes state-owned utility companies, as well as entities operating in the oil and gas, aviation, and telecommunications industries.

The Decision entered into force on August 2, 2024.

Updated Excise Rates on Imported Goods

On July 23, 2024, the Decision "On the amendments to the excise rates on goods subject to excise duty imported into the territory of the Republic of Azerbaijan" (the "Amendments") was adopted by the Cabinet of Ministers of the Republic of Azerbaijan.

Pursuant to the Amendments:

- The excise tax on various alcoholic beverages and tobacco products has been raised, with the sole exception of champagne wine which has been decreased from AZN 5.1 to 2.7 per liter.
- Additionally, the excise tax on single-use electronic cigarettes, hookahs, and their alternatives has been increased from AZN 0.25 to AZN 2 per one.

The Amendments entered into force on August 23, 2024.

Contacts

We hope that you will find this overview helpful. For more detailed information, please contact the following specialists:



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