



DOING BUSINESS IN AZERBAIJAN: LEGAL FRAMEWORK

1. General

- Azerbaijan is a secular presidential republic;
- Azerbaijan is a civil (continental) law country and legislation is codified;
- main source of law are legal acts (not court precedents);
- primary legal act regulating contractual relationships is the Civil Code;
- freedom of contract is recognized.

2. Presence in Azerbaijan

- representative office;
- branch;
- subsidiary;
- joint venture.

3. Organizational form

- limited liability company;
- open joint stock company;
- close joint stock company;
- other (limited partnership, general partnership, additional liability company etc.)

4. Registration/Licensing

- registration with the Ministry of Taxes is required;
- registration is conducted within 3 working days;
- no legalization requirements for documents emanating from Switzerland;
- license is required for limited type of activities such as banking, insurance, asset management, pharmaceutical activities, medical care activities etc.

5. Protection of Foreign investment

- not less favorable regime;
- protection from changes in the legislation;
- no nationalization or requisition;
- guarantee for compensation for damages;
- guarantee of repatriation of profit.

6. Bilateral Investment Treaty

- promote and accept Swiss investment;
- facilitate obtaining of regulatory consents by Swiss investors;
- ensure protection of Swiss investment;
- provide for most favorable nation regime;
- ensure repatriation of profits related to investment.

7. Taxation

Corporate taxes

- simplified profit tax 2% or 4%;
- profit tax 20%;
- VAT - 18%
- payments to social insurance fund in the amount of 22% of the payroll and 3% of the gross salary of an employee;

7. Taxation

Withholding tax on:

- Dividends – 10%;
- Interests – 10%;
- rent and royalty – 14%;
- insurance premiums – 4%;
- branch remittance tax – 10%;

8. Double Tax Treaty

Provides for specific regime of taxation for:

– Dividends

5% – if the recipient owns at least 20% of the paying entity and has invested at least USD 200 000;

15% in all other cases.

Double Tax Treaty

Interest is exempt from taxes at the source of payment if:

- is paid to the state or any state body or the Central Bank
- is paid in relation to a debt guaranteed/insured by the state or any state agency
- is in relation to sale with credit of industrial, commercial, scientific equipment

Double Tax Treaty

Interest is subject to 5% withholding tax if:

- is in relation to sale for credit of any goods by one entity to another;
- is paid in relation to a loan provided by a bank.

Interest is subject to 10% withholding tax in all other cases.

Double Tax Treaty

Royalties are subject to:

- 5% withholding tax if paid in relation to any patent, design, model, plan, confidential formula or process;
- 10% in all other cases.

9. Migration

Requirements:

- to obtain a visa;
- to register upon place of residence if staying for more than 10 days;
- to obtain temporary residence permit;
- to obtain work permit.

Migration

Temporary residence permit is issued to persons:

- who made an investments worth of at least AZN500,000;
- owning a real estate or holding deposits in the banks in the Republic of Azerbaijan in an amount of at least AZN100,000;
- engaged in entrepreneurship activity in Azerbaijan (shall employ at least 5 persons on a full time basis or 10 persons on part-time basis);

Migration

- high profile experts;
- heads and deputy heads of branches and representative offices of foreign entities;
- persons having work permit to work in Azerbaijan.

Work permit is not required for:

- persons engaged in entrepreneurial activity in Azerbaijan;
- heads and deputy heads of branches and representative offices of foreign entities in Azerbaijan;
- persons having permanent residence permit etc.

10. Useful links

1. <http://www.azembassy.ch/>
2. <http://www.azpromo.az/>
3. www.migration.gov.az
4. www.taxes.gov.az
5. <http://www.mfa.gov.az/>
5. www.omnilawfirm.com