

!!! Obligatory e-registration of employment contracts

According to the Law "On amendments to the Labor Code of Republic of Azerbaijan", adopted on December 27, 2013, an employer is to send a so-called employment contract notice (on entering into, making any changes to or termination of an employment contract), considered as an electronic document, via electronic information system of Ministry of Labour and Social Protection of Population ("MLSPP"). The employment contract will now enter into force only after the system sends back an electronic registration notice. The electronic registration notice must be provided to the employer within one working day.

The Law also stipulates that by July 1, 2014 employers must upload into the system also information about existing employment contracts signed before the aforesaid law has become effective.

The relevant Rules regarding the format of employment contract notice and its uploading into the electronic information system, format of employment contract registration notice to be sent/issued to an employer, as well as online data extraction from registered employment contract notice are to be prepared within one month by the MLSPP.

Pursuant to changes made to Art. 43 of the Labour Code, the mandatory contents of employment contract have been expanded. Now the employment contract should also contain information on the following: an employee's ID data, including ID series, number, holder's full name, ID pin, date of issue, issuing authority; for an employer being a legal entity - an employer's Tax ID number, insured's (an employer's) registration number, legal address; for an employer being an individual – his full name, Tax ID number, address, insured's (an employer's) registration number, ID data, including ID series, number, holder's full name, ID pin, date of issue and issuing authority ID; a note on whether this is the primary or secondary place of employment.

LIABILITY:

Alongside the foregoing changes, changes and amendments were made to Art. 53.1 of the Code of Administrative Offences, whereby a penalty is imposed upon legal entities in the amount from AZN 20,000 to AZN 25,000 (and from AZN 1,000 up to AZN 3,000 – for individuals) if employee starts to work before the employment contract enters into force.

In addition to that, according to changes and amendments to the Criminal Code, attracting by an employer of a large number of employees (the term "large" here means 10 and more persons) to performance of any works (services) while their employment contracts have not entered into force will result in a criminal liability, where the penalty **will be either AZN 7,000 or a**

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a three-year imprisonment term. If the same actions are repeatedly committed, the applicable punishment will be from three years up to seven years of imprisonment.

The aforesaid changes and amendments are effective from 4 February 2014.

Personal income tax reduction clause amended

The Parliament approved a new Law "On Changes and Amendments to the Tax Code of the Republic of Azerbaijan" on 27 December 2013.

If an individual's employment income is less than AZN 250 per month at his primary place of employment (i.e. where his labor record book is kept), personal income tax on such monthly income is reduced by the amount of one country-wide minimum living wage applicable to employable population. Respectively, if an individual's employment income is less than AZN 3,000 per annum, its part in the amount of twelvefold country-wide minimum living wage, applicable to employable population, is exempt from personal income tax.

These changes to Article 102.1.6 of the Tax Code are effective retrospectively from September 2013.

The country-wide monthly minimum living wage for 2014 has been set at AZN 125 (and AZN 136 for employable population).

Increased sanction for late registration of changes in constituent and registration documents

On 17 December 2013 the Parliament approved a new Law "On Changes and Amendments to the Law on State Registration of and State Register of Legal Entities", being effective from 4 February 2014.

Thus, amendments to the constituent/founding documents of legal entities, including branch offices or representative offices of foreign legal entities, as well as amendments to any facts recorded in the State Register (*BT: such as appointment of the new director/general manager/head, replacement/addition of shareholder/participant/s, etc.*) will enter into force only after these amendments (changes) are recorded in the State Register. In addition, while screening a current application for registration of changes, a penalty may be applied if it is found that there have been changes for registration of which a company has not applied in the due time.

To enforce the above requirement, the Parliament adopted amendment to Art. 200-3 of the Administrative Offences Code, which now envisages a penalty from AZN 2,500 up to AZN 3,000 upon legal entities and from AZN 1,000 from AZN 2,000 upon a company's executives for a failure to apply for registration of changes to the constituent and registration documents within 40 days after those changes have arisen/been approved.

Individuals' deposit interest income tax exemption

On December 27, 2013 the Parliament adopted the new Law, being effective from 1 January 2014, extending by another year tax exemption on deposit interest income of individuals received from banks and other credit organizations.

Criminal liability for organization of illegal migration

According to amended Article 318-1 of the Criminal Code, being effective from 31 December 2013, organization of illegal entry to, stay in and transit of foreigners and stateless persons through the territory of the Republic of Azerbaijan will be punishable by a penalty from AZN 2,000 up to AZN 5,000 or correctional works of up to 2 years, or imprisonment of up to 3 years.

Faster state registration of legal entities

According to November 22, 2013 amendments were made to the Law "On State Registration and State Register of Legal Entities. **Now the state registration of commercial legal entities (including branches of foreign entities) shall be completed within two business days starting from the date of application.** LLC with locally investments will be registered within one business day.

Tax exemptions for agricultural enterprises extended until 2019

On November 22, 2013 the Parliament approved amendment to the Law of Republic of Azerbaijan on Tax Exemptions to Agricultural Producers, extending exemption period for further five years (starting from January 1, 2014). The exemption covers corporate profit, VAT, simplified and property tax for legal entities, as well as VAT and property tax exemption – for individuals.

Changes in the liquidation procedure

On November 22, 2013 the Parliament introduced changes to the procedure on liquidation of legal entities. According to the amendments to the Civil Code, after adoption of the decision to liquidate the entity, its executive body must make an official statement confirming solvency of the legal entity to meet all creditors' claims within 12 months. **The overall period of liquidation cannot exceed one year**, starting from the date when the relevant notification to the State Register of Legal Entities of the Republic of Azerbaijan has been submitted.