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### ***Amendments to Licensing Rules***

On 19 October 2015, the Azerbaijani President issued a decree “On reduction of the number of activities requiring a licence, simplification of special permission (licence) issuance and ensuring transparency”. According to the mentioned decree:

1. The Ministry of Economy and Industry is authorized to grant licenses to all types of business activities requiring license – except for the cases of national security.

2. A license shall be granted in accordance with the following rules:

2.1. The Ministry of Economy and Industry will have an authority to receive a conclusion from the relevant government body in accordance with the type of

business activity;

2.2. If the relevant government body does not share its opinion within the established period, the Ministry of Economy and Industry will accept it as a positive opinion;

2.3. Licenses will be issued by the Ministry of Economy and Industry through “ASAN service” centers.

3. The President has assigned the Azerbaijani Ministry of Economy and Industry:

3.1. To prepare proposals on (i) minimization of the number of activities, (ii) determination of types of business activities that are of national security, and (iii) improvement of licensing rules for simplification of licensing procedures within a month.

3.2. To accelerate the process of establishment of an “E-license” portal for issuing licenses and certificates in the electron form.

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4. President's Decree "On ensuring the activity of the State Agency for Public Service and Social Innovations under the President of the Republic of Azerbaijan" dated 5 September 2012, has been amended to state that "ASAN service" centers shall be the authorized government institution who shall issue licenses to businesses for commencement of the licensed activities (except for the business activities of national security).

5. The Azerbaijani Parliament has been recommended to accelerate the hearing process of review of the draft law "On licenses and permissions".

### ***Suspension of state inspections***

On 19 October 2015, the President passed to the Azerbaijani Parliament a draft law on suspension of inspections of businesses.

According to the draft law, the inspections of businesses shall be suspended for two years beginning from 1 November 2015.

The draft law does not include suspension of tax audits, and other state inspections, which are necessary to ensure "safety of people's life and health, public security and economic interests of the state". Such inspections will be conducted in accordance within the established restrictions and framework in the law.

In line with the mentioned draft law and the President's instruction, the Ministry of Economy and Industry has already eliminated all regular inspections held by the State Service for Antimonopoly Policy and Protection of Consumer Rights. Monitoring in consumer market will be continued by mechanisms, which will not cause an administrative burden, i.e., observation, analysis, examination of samples, review etc. Subsequently, inspections may be carried out in accordance with received information with

prior consent of the Ministry of Economy and Industry.

### ***Approval of the state budget***

The state budget for 2016 was approved by the Parliament on 20 October 2015.

According to Article 1 of the Law on State Budget, the revenues of the state budget for 2016 was approved at AZN 14.57 billion, expenses at AZN 16.26 billion.

### ***Changes to the Tax Code of the Azerbaijan Republic***

A draft Law on changes to the Tax Code of the Azerbaijan Republic is under discussion in the Parliament. Once the Parliament approves the draft law, the President of Azerbaijan is expected to issue a relevant decree. We will update you if any news becomes available regarding this.

According to unofficial information, the draft law consists of 41 amendments. Below are the key proposed changes:

1. Granting a right to the tax authorities to apply to the court for temporary restriction of the right of the physical persons and head of the legal entity to leave the country if the taxpayer does not comply with the tax obligations;
2. Penalties on simplified taxpayers (engaged in trade and catering) who violate the rules of cash payments during the calendar year (from AZN 2,000 to Azn 6,000);
3. Wins from sport betting games subject to personal income tax at the rate of 10% to be withheld at source;
4. Monthly employment income of AZN 2,500 (currently, AZN 250) subject to an exemption in the amount of minimum cost of living (currently, AZN 140);

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5. Cancellation of the VAT exemption granted by the relevant executive authority for import of goods and equipment used for production purpose, provision of advanced technologies for a specific period;

6. VAT exemption list is to include import of equipment and materials (list of equipment and materials imported is to be approved by respective executive authority and provided to the customs authority) into Azerbaijan for oil and gas activities, import of commodities into special economic zones and import of fixed assets within the lease agreement;

7. Increase in mining tax between 50 – 300 percent;

8. Simplified tax of AZN 15 per each square meter from provision of residential and non-residential area owned or purchased from persons engaged in operations of residential building constructions (excluding provision of the place of residence where individual is registered for at least 5 years) shall be applicable regardless of annual turnover;

9. Granting rights to persons rendering trade and catering services to become simplified taxpayers and in this case simplified tax rate shall be determined at 6% and 8% respectively;

10. For persons engaged in operations of residential building construction, determining the simplified tax amount as AZN 45 instead of 10 manats and application of coefficients for zones of Baku between 1,2 – 4 and for other cities and regions 0,5 - 1,5.