

February - March 2021

In this issue:

1. A number of institutions in Azerbaijan have been transferred to the management of the Azerbaijan Investment Holding
2. National Priorities for Socio-Economic Development until 2030 have been identified in Azerbaijan
3. New tax exemptions and excise goods were set in Azerbaijan Republic

1. The President of Azerbaijan Republic signed an Order on the activity of the Azerbaijan Investment Holding. In accordance with the Order management of several companies (Baku International Sea Trade Port, Azerbaijan Caspian Shipping Company, "AzerGold" Closed Joint-Stock Company) were entrusted to the Azerbaijan Investment Holding. Under the mentioned Order, Investment Holding will implement approval of the charter and structure of the company, determination of the amount of the authorized capital, approval of the Company's annual reports, financial statements, distribution of profits and losses, approval of the Company's dividend policy, deciding on the issue of the Company's securities.

Moreover, the President approved transferring a number of institutions to the management of Azerbaijan Investment Holding. These institutions are as follows:

- "Azerbaijan Airlines" Closed Joint-Stock Company;
- "Azerbaijan Railways" Closed Joint-Stock Company;
- "Baku Metro" Closed Joint-Stock Company;
- "BakuBus" Limited Liability Company subordinated to Baku Transport Agency.

2. On February 02, 2021, the President of Azerbaijan Republic signed an Order on approval of National Priorities for Socio-Economic Development until 2030.

The following five National Priorities for the socio-economic development of the country should be implemented in the next decade:

- A steadily growing competitive economy;
- A society based on dynamic, inclusive and social justice;

- Competitive human capital and space for modern innovations;
- Great return to the liberated territories;
- Clean environment and "green development" country.

A steadily growing competitive economy is one of the most essential pillars of socio-economic development of the country. So that, to achieve healthy and balanced economic growth in the long term, it should be sustainable and high, and resistant to internal and external influences.

For these purposes, new "driving forces" must be found for sustainable economic growth, deep diversification of the national economy, and the full realization of export potential of goods and services.

A society based on dynamic, inclusive and social-justice can be formulated through sustainable and high economic growth, and for sure every citizen should feel this development in his life. People's access to economic opportunities must be equal and fair, regardless of their social status and area of residence. These goals will be implemented with high and fair social security, inclusive society and balanced development of the capital and regions.

Competitive human capital and space for modern innovations will lead to more prespective life with deep digitalization, active application of new technologies and rapid development of the most modern fields without human intervention. In order to be ready for the growing competition in the world in the coming years, the priority of each country is to form a highly competitive human capital. Modern education, fertile conditions that promote innovation and human health are the main conditions for this.

Great return to the liberated areas takes the most magnificent place for whole nation in the history of Azerbaijan. This Great Return will be a bridge for the sustainable settlement of our citizens in the liberated territories and for the integration of these territories into the economic activity of the country. It is possible to ensure full integration through sustainable settlement and reintegration into economic activity.

The priority of clean environment and "green development" country aims to reduce risks which can come from economic and

demographic growth to the environment. According to the Order, by taking into account the scale of global climate changes, the application of environmentally friendly technologies will be given priority, the use of clean energy sources, waste recycling and the rehabilitation of contaminated areas will be encouraged.

At the same time, the document emphasizes the importance of improving the environment, rapid restoration, and growth of greenery, efficient use of water resources, and sustainable energy sources, along with the country's promising economic development.

It is duly noted that a high-quality ecological environment and green energy space will be effectively developed in the strategic period. As a first step currently, a clean ecological environment should be protected and resources should be used efficiently. During this process, both economical development and the ecological environment ought to be preserved in balance. In the strategic period, the use of alternative and renewable energy sources will increase, especially in advanced countries. Taking this into account, the country should use energy efficiently and give preference to new sustainable energy sources.

In order to fully meet the needs of present and future generations, the use of environmentally friendly "green" technologies will be expanded. Based on the scientific and technological potential, the share of alternative and renewable energy sources in primary consumption in all sectors of the economy will be increased and the impact on climate change should be reduced.

At last, these National Priorities are also of particular importance for the implementation of the commitments arising from the United Nations Transformation of Our World: Agenda for Sustainable Development until 2030.

3. On March 09, 2021, several amendments and changes

to Tax Code have been adopted by Milli Majlis. According to these amendments import of machines, equipment and devices based on the approval document of the body (institution) determined by the relevant executive authority shall be exempt from the payment of VAT (for a period of 1 to 3 years from January 2021). These machines and devices are required for the

production and processing of jewellery made of gold and silver. As well as the sale of gold and silver in the form of ingots, coins or pellets shall be exempt from the payment of VAT. In addition, imported platinum, gold, jewelry and other products made of them, processed, graded, framed and hardened diamonds are exempt from excise tax for a period of 1 to 3 years from January 1, 2021.

Furthermore, new excise goods and their excise rates accordingly have been defined in the Tax Code. Following goods are added to the list of subject to excise tax in the Republic of Azerbaijan:

- tobacco products other than industrial tobacco;
- "homogenized" or "reconstituted" tobacco;
- chewed or snuffed tobacco;
- hookah tobacco;
- tobacco and tobacco products consumed as a result of heating (steamed).

With respect to the goods produced in the territory of the republic tax rates are as follows:

- cigarillos (thin cigars) - 43.0 manats per 1000 pieces;
- cigarettes made of tobacco and its substitutes - 35.0 manats per 1000 units;
- liquid for e-cigarettes - 100.0 manats per liter;
- other smoking tobacco, except for industrial tobacco, "homogenized" or "reconstituted" tobacco, chewed or snuffed tobacco, as well as tobacco for hookah - 30.0 manats per kilogram;
- tobacco and tobacco products consumed as a result of heating (steamed) - 12.9 manat per 1000 units.

BHM Legal Update is organized by themes about major legal processes which aim to alert businesses About significant laws, legislative changes and landmark court decisions.
This material should not be construed as legal advice or legal opinion.

FOR MORE INFORMATION:

"SKS" Plaza, 7th floor, 49 Fuzuli Str., AZ1014

T. (+99412) 4800088

office@bhm.az

www.bhm.az

©BHM Law Firm LLC. All rights reserved.