



Legal updates

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

- ▶ New Law on Public Procurement
- ▶ New Rules for Currency Transactions
- ▶ Exemptions for Investment Promotion Document Holders
- ▶ New Rules on Automobile Transportation
- ▶ New Law on Payment Services and Payment Systems

New Law on Public Procurement

On July 14, 2023, new Law of the Republic of Azerbaijan "On Public Procurement" (the "Law") was adopted.

The Law envisages that procurement shall be carried out only through the internet portal of public procurement, except for those which relate to confidential information.

The planning and stages of public procurement, the formation of the procurement commission and the responsibility of the commission, the compliance indicators of suppliers, the evaluation of proposals, the preparation of the procurement report, and other requirements for the procurement contract, including the conditions for the termination of procurement are also specified.

According to the new Law, in case the estimated price is 100,000 AZN and more, procurement should be carried out by holding open tender or two-stage tender methods. If the estimated price is less than 100,000 AZN, procurement can be carried out by applying the quotation request method. The quotation request method is only applied among suppliers which are micro, small, and medium business enterprises.

Besides, this Law establishes a different approach to procurements made by state-owned commercial legal entities, whose supervisory board (board of directors) is approved by or with the consent of the President of Azerbaijan, when using funds other than those specified in the Law.

This Law enters into force on January 1, 2024.

New Rules for Currency Transactions

On July 26, 2023, the Decision of the Board of Directors of Central Bank No. 38/1 on Amendments in the "Rules for transactions of residents of the Republic of Azerbaijan in foreign currency, as well as non-residents in national and foreign currency" dated November 28, 2016 (the "Amendments") was adopted.

According to the Amendments, a resident and non-resident physical person can transfer foreign currency funds outside Azerbaijan within a calendar month up to the equivalent of 20,000 (twenty thousand) US dollars. Previously, during a calendar month, transfer up to the equivalent of 10,000 (ten thousand) US dollars was allowed.

Based on these Amendments, a new provision is also added to the Rules regarding cashing out funds outside the territory of the Republic of Azerbaijan. Thus, resident physical persons can cash out outside the borders of Azerbaijan up to the equivalent of 10,000 (ten thousand) US dollars during a calendar month through payment cards issued in the territory of Azerbaijan.

Additionally, due to these Amendments, the rules regarding submission of the information on foreign bank accounts opened outside the borders of Azerbaijan by residents for entrepreneurial activity have been changed. Submission of information in a form approved by the Ministry of Economy until start date of transactions on the account is sufficient in this regard. Hereto, the obtainment of a certificate-duplicate from the tax authorities was also a requirement in this regard. This change comes into force from October 1, 2023.

Exemptions for Investment Promotion Document Holders

According to the Decision of the Cabinet of Ministers of the Republic of Azerbaijan No. 231, "The list of goods for which a confirmation document for the import of machinery, technological equipment, and installments is intended to be issued to legal entities and individual entrepreneurs who have received an investment promotion document" (the "List") was adopted on July 18, 2023.

Generally, entrepreneurs who have an investment promotion document are exempted from VAT and customs duties for the import of machinery, technological equipment, and installments for 7 years based on a confirmation document.

The envisaged List includes the categories of the goods such as products from ferrous and precious metals for which confirmation documents are provided along with their Foreign Economic Activity Good Nomenclature Codes.

New Rules on Automobile Transportation

On July 14, 2023, several Laws of the Republic of Azerbaijan amending the Law on "Automobile Transportation", "Licenses and Permits" and "the Code of Administrative Offences" were adopted.

According to the Amendments to the Law on “Automobile Transportation”, legal entities and individual entrepreneurs intending to engage in passenger and cargo transportation by automobile shall obtain the appropriate permit which is given electronically to carry out these activities domestically or internationally.

Amendments provide for cases in which it is prohibited to provide a taxi ordering service by taxi operators to a carrier or a driver that do not have the necessary documents required by the law.

Administrative fines will now be applicable for the following violations (the list is not exhaustive) related to automobile transportation rules as per the Amendments to the Code of Administrative Offences:

- carrying out passenger and cargo transportation without the required certificates;
- employing untrained drivers for such transportation;
- operating as a taxi operator without a permit;
- failure to comply with requirements related to personal data protection by taxi operators .

The Amendments to the Laws on “Automobile Transportation” and “Licenses and Permits” will come into force on October 1, 2023. The Amendments to “the Code of Administrative Offences” will be effective as of January 1, 2024.

New Law on Payment Services and Payment Systems

On July 14, 2023, Law of the Republic of Azerbaijan No. 987-VIQ on “Payment Services and Payment Systems” (the “Law”) was adopted.

The Law stipulates the necessary definitions, legal bases of the activity of payment organizations, electronic money organizations and payment system operators, rules on opening branches and representative offices of payment and electronic money organizations, including the legal, organizational, and economic bases of regulation and control in this area.

Pursuant to the Law, payment and electronic money organizations and operators (except for the Central Bank) may perform activities in the field of payment services and payment systems only after obtaining a license.

The Law also sets out certain requirements on the minimum charter capital and total capital of payment and electronic money organizations. The requisites for the minimum charter capital and the minimum amount of the total capital of the payment and the electronic money organizations, the procedure for calculating the total capital is determined by the normative acts of the Central Bank of Azerbaijan.

This Law was published on August 9, 2023 and will come into force in 3 months after the date of the publication.

Contacts

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