

大成 DENTONS

Manufacturing in Azerbaijan



Foreword

Dear Readers,

The Dentons Europe offices cover a legendary territory for manufacturing and industrial projects, including Spain and France to the west, Russia, Kazakhstan and Uzbekistan to the east, Germany, Poland, Hungary and other Central European countries in the middle and from Italy to Turkey to the south. This territory offers a vast population with strong purchasing power and excellent infrastructure, combined with vast workforce resources and industrial expertise.

Dentons Europe has been at the forefront of the first industrial projects going east after the fall of the Berlin wall, actively advising on greenfield and brownfield projects as well as on acquisitions and joint ventures when Central European countries—Romania, Czech Republic, Slovakia and Poland—joined the European Union. We are now actively witnessing Asian investors' interest for manufacturing in Europe.

The legal environment in the countries we cover has greatly evolved. It is a strong advantage to have been present in some of the emerging economies of Eastern Europe, Caucasus and Central Asia for the past 20 to 30 years, as the legacy legal systems in these countries can still be felt, in particular with regard to land acquisition and environmental norms. Today many jurisdictions, including in Western Europe, offer state aid and tax incentives to attract the best manufacturing projects.

We are well placed to help you choose your entry doors to the European Union and to Eurasia.

We hope the Manufacturing Guide you have selected will be of interest. It aims to give you a general overview of key checkpoints for this jurisdiction. Do not hesitate to contact me or the authors of this guide for any further information.



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Credentials in Azerbaijan

- **A major international construction materials company:** Advising on site acquisition and a project for the establishment of a Greenfield manufacturing plant.
- **Stadler:** Advising on the establishment of a JV company in Azerbaijan for the local manufacture and maintenance of railway cars, as well as on the sale of equipment and railway cars to the State railway company.
- **A European industrial manufacturing company:** Advising on the acquisition of a local company and its operations in Azerbaijan, corporate and anti-monopoly issues.
- **Azerbaijan Investment Company (AIC):** Advising on its equity investment in a local dairy manufacturing business.
- **Major local company:** Advising on Azerbaijani law matters related to the financing of an export contract by and between an Azerbaijani privately held oil company and a German offshore drilling equipment manufacturer.
- **An international automobile manufacturer:** Assisting a litigation over alleged products liability.
- **A major sub-contractor under a PSA:** Advising on the acquisition and use of a land plot within Baku and on the construction of a manufacturing facility.
- **A multinational soft-drink manufacturer:** Advising on trademarks and intellectual property.
- **An international electrical equipment manufacturer:** Advising on measures to stop the sale of counterfeit parts.
- **A multinational consumer products manufacturer:** Representing in an unfair competition case involving counterfeit goods.

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Azerbaijan in the global economy



The oil-rich economy of Azerbaijan, where the international petroleum industry began in the mid-19th century, experienced a prolonged second oil boom following independence in 1991. The opening of new export routes via the Baku-Tbilisi-Ceyhan oil pipeline and the South Caucasus Pipeline system for gas has led to public spending increases in infrastructure projects and Azerbaijan's modernization. At the same time, diversification of the economy and the development of new industries are a national priority, particularly in light of the recent drop in the price of hydrocarbons and resulting economic crisis. Openness to foreign investment has aided Azerbaijan's transition to a market economy, and wide-ranging reforms have improved its overall macroeconomic environment.

We have seen many legal developments in Azerbaijan during the years since its independence, including the enactment of a modern Civil Code, the streamlining of activities requiring licenses and permits, the establishment of centralized property and mortgage registries, the adoption of international financial reporting standards, the establishment of special economic zones and industrial parks and the introduction of a single window system for company registration, immigration/work permit formalities and customs processing, together with remarkable advancements in e-government.

In the World Economic Forum Global Competitiveness Index 2017-2018 Azerbaijan was ranked 35th (out of 137 countries). In the Doing Business 2018 report, published by the World Bank and the IFC, Azerbaijan received a respectable ranking of 57th (out of 190 countries) in an independent evaluation of the ease of doing business. Within the specific categories, Azerbaijan placed especially well in the areas of starting a business (18th), registering property (21st), protecting minority investors (10th), paying taxes (35th) and enforcing contracts (38th).

Preparing to manufacture: greenfield and brownfield projects





A. Corporate vehicles

There are principally three types of commercial company forms that are used by foreign investors:

1. The limited liability company (LLC)
2. The open or closed joint stock company (JSC)
3. Representative offices or branches

The JSC and LLC forms are similar in many respects:

- Both require at least one founder; shareholders/participants enjoy limited liability; the same tax treatment applies; pre-emptive rights exist in case of transfers).
- However, in certain respects, the LLC form of legal entity offers more flexibility in structuring the internal operations of a company, and fewer registration and reporting requirements apply than in the case of a JSC.

Representative offices and branches

Both of these forms may engage in some or all of the functions of the founder.

Technically, representative offices should be limited to activities of a preparatory or auxiliary nature. In practice, there is essentially little difference between the regulation of the two forms, though it is recommended that activities requiring a license be conducted through a branch (or a locally incorporated company), rather than through a representative office.

B. Real Estate, construction and insurance

Foreign persons, (including physical persons, legal entities, international organizations and foreign states) may not own land, though they do have the right to lease land. Azerbaijani persons and entities, including entities with foreign participation, such as JVs and 100 percent subsidiaries, may freely own, use or lease land.

Land use may be permanent or temporary, either short-term, ranging from up to 15 years, or long-term, which is divided into two categories: private (from 15 to 99 years), and state and municipality-owned (from 15 to 49 years), in which case only land tax is payable. Under a lease of land, rent is payable (the land tax being paid by the owner.)

Ownership and other rights with regard to immovable property must be state-registered. A right to possess and use immovable property arises as soon as its sale and purchase agreement is notarized (with the exception of rights, which are created based on a court order or other act having legal force, which are not subject to appeal). A right of disposal, however, does not arise until the property is state-registered. Currently, the registration is carried out by the State Registry Service of Immovable Property attached to the State Committee on Property Matters (the Registry Service). All leases must be notarized and, if for a term of more than 11 months, they must also be state-registered.

Construction

In general, construction is a licensable activity in Azerbaijan.

List of activities requiring a license:

- Engineering-survey works concerning buildings and structures, which require a construction permit
- Construction-assembly works concerning buildings and structures, which require a construction permit
- Designing of buildings and structures, which require a construction license subject to applicability of information execution

In addition, there are a number of permits, consents and approvals, which the owner of the construction object and/or its contractor must obtain from different state authorities in order to be able to register the immovable property as a completed construction (ecological, sanitary, special opinions of the Ministry of Emergency Situations, state enterprises managing connections to utilities, etc.)

Insurance

There is no mandatory requirement to insure an incomplete construction

The activity of the construction contractor is subject to compulsory insurance.

The following types of compulsory insurance are applicable to immovable property which is registered with the State Registry of Immovable Property:

- i. Compulsory insurance of immovable property
- ii. Compulsory insurance of civil liability in connection with the use of immovable property.

There are a number of administrative penalties applicable for the violation of construction rules and regulations.

Historically, dealing with licenses and permits in construction was a bureaucratic and lengthy process. Recently, the government recently launched an electronic application system which allows an applicant to obtain:

- Licenses within 10 days from the date of application (the previous regulations provided for a 15-day period)
- Permits within seven days.



C. Administrative law – dealing with authorities – including anti-bribery laws

Dealing with administrative authorities traditionally has been difficult and time-consuming. However, recent measures, such as streamlining the process for obtaining licenses and permits, expanding the use of ASAN Centers and the e-government initiative that groups various administrative services into one location, has increased the speed and efficiency of such tasks. Other recent moves, such as declaring a moratorium on most government inspections and audits, has also made life easier for entrepreneurs and ordinary citizens.

Although bribery remains a serious problem, there are rather strict anti-corruption laws and certain targeted measures, such as reducing the number of licensable activities and limiting cash transactions, to assist in the fight against corruption.

D. Employment

Employment contracts may be concluded for an indefinite term or for a fixed term for up to five years. Where the employee works continuously for more than five years, his/her employment is deemed indefinite.

Entry into employment contracts, amendments to employment contracts and information on the termination of employment contracts become effective upon registration with the electronic database maintained by the Ministry of Labor and Social Protection of the Population.

Employees must be paid in Azerbaijani Manats. Normally, salaries must be paid by way of a non-cash settlement.

Termination of an employment contract must be justified on one of the grounds available for employment termination under the Labor Code.

Employees pay income tax through a withholding mechanism. The employer is required to withhold income tax, social security obligations and other obligatory contributions from the employee's salary and to pay over the withheld amount to the appropriate authorities.

The top rate of income tax is 25 percent on monthly income over AZN 2,500. In case when salary is less than AZN 200, employee contributions to the State Social Protection Fund are three percent of salary contributed by the employee and 22 percent by the employer. Where salary is above AZN 200, employee contributes AZN 6 plus 10% of the amount, which is more than AZN 200, and employer pays AZN 44 plus 15% of the amount, which is more than AZN 200. Both the employer and employee are required to pay unemployment insurance fees of 0.5 percent of the salary payments.

With the exception of certain categories of foreign employees (including permanent residents of Azerbaijan, individual entrepreneurs, heads and deputy heads of branches or representative offices of foreign legal entities operating in Azerbaijan and of legal entities established in Azerbaijan where at least one of the shareholders is a foreign individual or legal entity), a foreign national may not work in Azerbaijan without a work permit and, generally, a residence permit is also required.

E. Tax and State aids

The Tax Code (2000) prohibits the imposition of taxes that are not specified by the Code. The following taxes are specified:

- Personal income tax
- Corporate (profits) tax
- Value Added Tax (VAT)
- Excise tax
- Assets tax
- Land tax
- Road tax
- Mineral resources tax
- Simplified tax

A resident enterprise pays corporate profits tax on worldwide income. A non-resident enterprise carrying on business in Azerbaijan through a permanent establishment is liable for tax on profit gained from such activity. In addition to profits tax, a permanent establishment will pay a 10 percent branch withholding tax on all remittances of net profit made abroad. The rate of profits tax is 20 percent.

Profits tax and other taxes which have been overpaid may be netted off against other taxes due. Although, in theory, taxes overpaid may be refunded, this is highly unlikely in practice.

The Tax Code provides certain tax benefits with regard to corporate profits tax, including the following:

- Residents of industrial and technological parks (exemption from most taxes for seven years from the date of registration at the park);
- Operators of industrial and technological parks (exemption from profits tax with regard to the portion of income allocated for the construction and maintenance of the infrastructure of the park);
- Legal entities involved in the production of agricultural produce-an exemption from profits tax (current relief applies until January 1, 2024).

There is no separate capital gains tax in Azerbaijan; they are taxed as ordinary income.

F. Protecting your intellectual property and complying with data privacy obligations

Azerbaijan has adopted a number of legislative acts regulating intellectual property, including with regard to copyright, patents, trademarks, etc.

In addition, Azerbaijan has ratified a number of international conventions in this area, including: The Berne Convention for the Protection of Literary and Artistic Works, 1886, The Paris Convention for the Protection of Industrial Property, 1883 (the Paris Convention, which, inter alia, provides priority for a local registration.), The Madrid Agreement Concerning the International Registration of Marks, 1892 (which essentially allows an inter-national registration to extend to all countries that are parties to the Agreement.)

The law On Personal Data requires obtaining the written consent of the subject entity for the processing of personal data which shall include, inter alia, the terms and conditions for the deletion or archiving of collected personal data about the subject entity, as provided for in the legislation, upon completion of a fixed period of storage of personal data in the respective information system or upon his/her death.

In certain cases, e.g., in case of the existence of a threat to the national security of the Republic of Azerbaijan, or where the legislation of the country to which the personal data is transferred fails to ensure the legal protection of such data at the level provided under the legislation of the Republic of Azerbaijan, cross-border transfer of personal data shall be prohibited.



Operating





A. Connecting to utilities

Legislation is in place for the regulation of the issue of technical conditions and design documents for the obtaining of up to 150 kW power, inter alia, for connection to the energy supply network.

Rules for the connection of projects with higher than 150 kW power to the energy supply network have also been recently prepared.

There are pro forma agreements for the use of electric energy.

B. Health and safety

Buildings must comply with certain standards, e.g., fire protection, ventilation systems, including with regard to health and safety.

The law On Technical Safety regulates activities aimed at the prevention of accidents at potentially dangerous facilities and the liquidation of the consequences where such accidents have occurred.

A list of potentially dangerous facilities includes, inter alia, the oil and gas production industry (including main oil and gas pipelines) and geological exploration works; the purchase, use, processing, preparation, storage, transportation and destruction of certain hazardous substances (e.g., inflammable substances, such as gases possessing the capability of rapid ignition at normal pressure and in connection with the air, the boiling temperature of which is 200C or lower, certain explosives, toxic agents, etc.); equipment working under pressure in a mode of more than 0,07 mpa or a boiling temperature of water 1150C.

Technical constructions, and machine and mechanisms used at potentially dangerous facilities, must be certified in terms of their conformity to the technical safety requirements in the manner established by legislation of the Republic of Azerbaijan.

Persons operating a potentially dangerous facility must:

- when hiring work staff at potentially dangerous facilities ensure their conformity with technical safety requirements and specializations, and also other requirements established by the Law, and medical suitability;
- have regulatory legal acts and normative and technical documents establishing work rules at the potentially dangerous facility;
- provide the carrying out of an examination of the technical safety of buildings, and also diagnostics, tests and a general inspection of buildings, equipment and technical constructions used at potentially dangerous facilities;
- organize the protection of a potentially dangerous facility and observe technical safety requirements on storage of dangerous substances;
- prepare a technical safety declaration, sign a contract on obligatory insurance of liability for damage caused during the operation of a potentially dangerous facility (insurance of immovable property and third-party liability as a result of the exploitation of the immovable property);
- have a special permission for operating the potentially dangerous facility;
- ensure the keeping of records of explosive, pyrotechnic and radioactive substances, explosive materials and ionizing radiation sources, their storage, consumption and safe use in a manner meeting the requirements of normative and technical documents; and
- observe instructions, orders and directions of the relevant executive authorities.

People working at a potentially dangerous facility are obliged:

- to undergo a medical check-up and attestation not less often than once every year;
- subject to the prescribed procedure, to suspend works during accidents and disorders occurring at the potentially dangerous facility, to inform management or other officials about accidents or disorders immediately.

The employer must ensure healthy and safe conditions for the employees, provide free medical treatment and prophylactic food, milk, etc. at working places with toxic or harsh working conditions, etc.

There is strict liability for activities of heightened danger.

C. Trade unions

In accordance with the law *On Trade Unions*, a trade union is an independent public, non-political organization based on an individual membership in respect of a workplace, profession or industry and at the level of republic.

A trade union may be created by at least seven persons who have the right to unite in a trade union organization and adopt its charter.

The Labor Code states that the workers' collective, trade unions, the employer, other relevant authorities and employers' representative bodies have the right to initiate collective agreements, and the parties are obliged to respond. The initiator has to inform the other party, which should start the collective bargaining process no later than 10 calendar days from the moment of notification.

Once negotiated, a draft collective contract is submitted for consideration by the parties. Those involved in negotiations are entitled to be paid their average monthly salaries for up to three months per annum, and the costs related to the bargaining are borne by the employer. Expenses in connection with collective bargaining are also borne by the employer.

The contents of collective contracts are determined by the parties, although the Labor Code includes a list of typical issues. For instance, a collective contract should, as a rule, deal with productivity/performance enhancement and more favorable employment conditions than the minimum provided for by legislation, including defining the procedure and amount of compensation, monetary rewards, benefit payments, extra payments, and other payments, performance evaluation, establishment and revision of labor norms, etc.

In a number of cases, in order to implement the employee's social protection (either within or without the terms of a collective covenant) the Labor Code stipulates that the employer should take certain decisions with the agreement of trade unions, e.g., during the attestation of employees or work places the representatives of trade unions should be included in the relevant commissions; termination of employment agreements at the initiative of the employer under certain articles of the Labor Code, i.e., staff redundancy and breach of labor duties.

D. Industrial risk & Insurance

Industrial incidents, especially in case of hazardous risks, are subject to special reporting to the Ministry of Emergency Situation.

If the activity of the company is insured, the latter may cover direct damage to its own and third party's property subject to proper notification of the insurance company.

Please note that there is criminal liability of authorized persons (officers) of a company for damage to environment, health and safety of population.

E. Commercial and Insolvency related risks related to suppliers

There is no special regulation applicable to suppliers in case of insolvency of the customer company. They will have the same right to bring unpaid debt claims in the court as any unsecured third-party creditor in accordance with their respective priority of claims.

F. Defending your intellectual property

There are two main stages for the protection of intellectual property rights, i.e., (i) with the appeal commission within the state authority in charge of intellectual issues, and (ii) with the court of law.

The court system in Azerbaijan has several stages of consideration of claims – first instance courts, appeal courts and the Supreme Court, which considers cassational appeals and additional cassation appeals. Emergency orders are possible subject to a very high showing of justification.

G. Regulation compliance

In terms of public safety, the Ministry of Health, the Sanitary-Epidemiology Service, the State Hygiene and Epidemiology Center and the State Service for Antimonopoly Policy and Protection of Consumers' Rights are the state authorities monitoring compliance with product regulation in Azerbaijan to ensure, inter alia, that:

- The product is safe for public consumption
- In case of a complaint the authorities have the right to conduct an inspection at any production enterprise
- The authorities also issue directives and decisions to regulate the terms and conditions of the manufacture of goods.

H. Competition law investigations

The Antimonopoly Law defines a dominant market position as an exceptional position of an economic entity enabling it to influence competition significantly by using its economic superiority and, thus, impede other economic entities from entering the market. An economic entity with a market share of more than 35 percent or another threshold determined by law is considered a dominant market participant, along with any entity engaged in the establishment of barriers for entering and exiting a market for other market participants, discrimination in terms of standard agreements with different market participants, etc.

The Unfair Competition Law distinguishes between the following types of unfair competition:

1. Imitating the economic operation of a competitor
2. Discrediting the economic operation of a competitor
3. Interfering in the economic operation of a competitor
4. Unfair entrepreneurial activities
5. Unfair businesses practices
6. Misleading consumers

I. Tax investigations

The tax authorities have broad powers in the conduct of an on-site audit. They are, however, required to give at least 15 days' written notice before the commencement of a routine audit.

A routine on-site tax audit may not be carried out more than once a year and should not exceed 30 days in length. Exceptionally, an extension by up to 90 days is possible.

The audit may also be suspended for up to nine months in certain cases, including, inter alia, where documents required for "conducting objective and complete" off-site tax audits are to be received from abroad.

A routine on-site tax audit, in respect of corporate profits tax, income tax, property, and land taxes, cannot exceed the last three calendar years (i.e., three years, excluding the year in which the audit is carried out). In respect of other taxes (e.g., VAT), it cannot exceed the latest three years (i.e., three years, including the year in which this audit is carried out.)

Key tips in case of any investigations by authorities in Azerbaijan would be (i) ensuring that one person is designated as the principal contact with the auditors. This person will normally be someone with direct knowledge of the matters being audited. Consideration should be given to the person acting as liaison with the auditors; (ii) before releasing documents, ensuring that they are relevant to the audit/ instigation and that the auditors/ investigators are entitled to request them; (iii) to be cooperative, but businesslike, (iv) not to panic - to minimize the potential for staff to spread rumors, ensure that everyone is aware that an audit/investigation is underway, and that it is a normal part of business.

J. Compliance monitoring – anti-bribery, anti-money laundering and whistle blowing rules in Azerbaijan

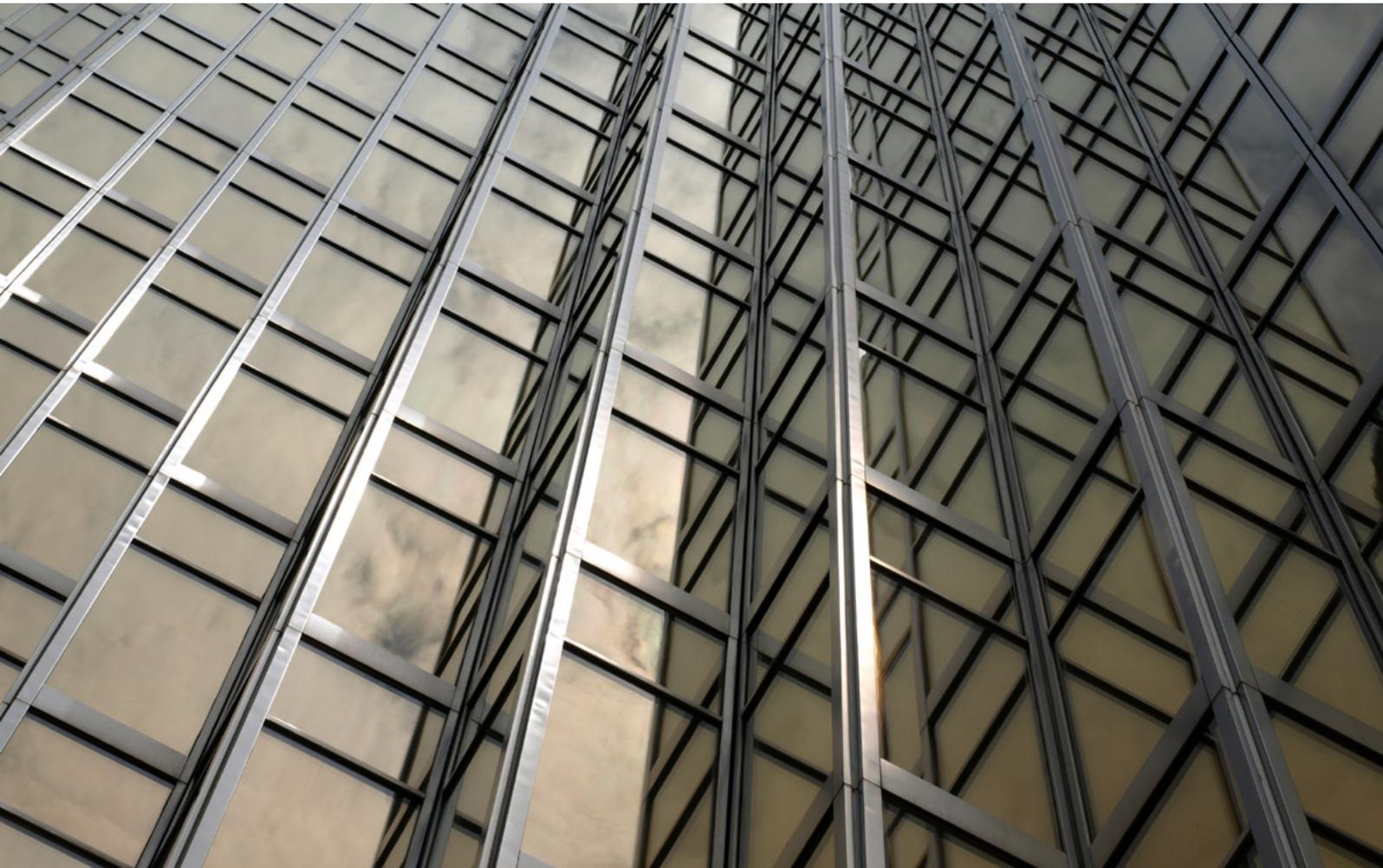
The law “On the Fight Against Corruption,” dated January 13, 2004 (Law Against Corruption) and the Criminal

Code of the Republic of Azerbaijan, are the principal enactments in Azerbaijan intended to prevent and detect offenses related to corruption. Corruption is defined as officials illicitly obtaining material and other benefits, privileges and advantages through the use of their position, the status of the body they represent, their official powers, or the opportunities deriving from those statuses and powers.

Corruption also includes the engagement of those officials by individuals or entities through the illicit offering, promising or giving of the said material and other benefits, privileges and advantages.

The Commission on the Fight against Corruption of the Republic of Azerbaijan functions as a specialized agency on combating corruption with a hotline number for the general public

The Commission’s hotline number: 161



Acquiring and selling a plant

(buy side & sell side
key checkpoints)



A. Share deals & Asset deals

In case of a plant, it is more practical to proceed with share deal because this option allows the acquirer to obtain all licenses, permits and authorizations from the target, which otherwise are not transferrable. In case of asset deal, the acquirer will only obtain equipment which is subject to further clearance with different state authorities.

B. Real Estate

The Land Code recognizes state, municipal and private ownership of land in Azerbaijan. All types of ownership rights are equal. Only Azerbaijani citizens and Azerbaijani legal entities (including enterprises with foreign investment and wholly-owned subsidiaries) may legally own land in Azerbaijan.

Certain categories of land are the exclusive property of the state or municipalities and may only be leased by or granted for the use of private persons. Individuals may own land within the limits established by law.

The Cabinet of Ministers, the Ministry of Ecology and Natural Resources or local executive authorities act as lessors in respect of leases of state-owned land. The same State authorities are authorized to make decisions on the allocation of state-owned land for use.

Pursuant to the law On the Management of Municipal Land, the ownership and lease rights over municipal land must be obtained only through land auctions or tenders, with the exception of cases related to an allocation of land for the construction of an individual housing unit, subject to a restriction applicable to citizens of Azerbaijan permanently residing, and at the same time having a registration address for at least five years in the territory of the same municipality, as well as the transfer of land to state ownership or lease for the purpose of fulfilling obligations arising out of international agreements to which Azerbaijan is a party. Further amendments to the Land Code and to the law On the Land Market, accorded a priority right in the course of land auctions/ tenders for municipal land to certain categories of individuals.



C. Third party suretyship on the plant

There are five major types of proprietary security interests in Azerbaijan: (i) the pledge of assets (including movable property and goods in a pawnshop); (ii) the pledge of rights; (iii) the pledge of cash; (iv) the pledge over assets in circulation (a floating charge); and (v) the mortgage (hypothec).

A mortgage is created by entering into a notarized and publicly registered agreement or by issuing a security (a mortgage certificate). A person mortgaging an asset in favor of the beneficiary of the mortgage retains the legal title to, and is entitled to occupy and use, the mortgaged asset.

There are three possible ways to enforce a mortgage: enforcement through a court proceeding (judicial enforcement), by a notary writ (extrajudicial enforcement) or through an open market sale. The purchaser of the collateral takes it free of the mortgage, and in the event there is any unsatisfied secured obligation, the mortgagor must compensate the difference.

D. Employment & trade unions

The consent of the trade union would be required at termination of employment agreements at the initiative of the employer under certain articles of the Labor Code, including staff redundancy.



In general, termination of employment in the event of change of owner is permitted only with regard to head of the enterprise, his/her deputies, chief accountant and heads of structural units of the enterprise directly performing managerial functions.

E. Specifics for distressed assets

If the insolvency of a company leads to its bankruptcy proceedings, i.e. the filing of a bankruptcy application with a court or adoption by the debtor of a resolution on commencement of non-judicial bankruptcy proceedings, the debtor may not dispose of any assets for its commercial activity, to fulfill its obligations, or for any other reason without the prior authorization of the court, bankruptcy trustee or temporary bankruptcy trustee.

F. Merger control

The Antimonopoly Law provides that the Antimonopoly Service shall control mergers and acquisitions which may lead to the establishment of economic entities holding more than 35 percent of shares in the relevant market.

Mergers and acquisitions of economic entities with combined assets valued at more than 75,000 minimum monthly wages.

Acquisitions of more than 20 percent of the voting shares in a company's charter capital require clearance from the state authorities as well. The notification obligation is triggered only where

- i. One of the parties holds more than 35 percent of the shares in the relevant market,
- ii. The parties' combined assets located in Azerbaijan are valued at more than 75,000 minimum monthly wages, or
- iii. When the "purchasing" party already controls the "seller" party.

G. Tax risks

Tax avoidance in excess of AZN 20,000 may result in transfer of a tax investigation into criminal investigation.

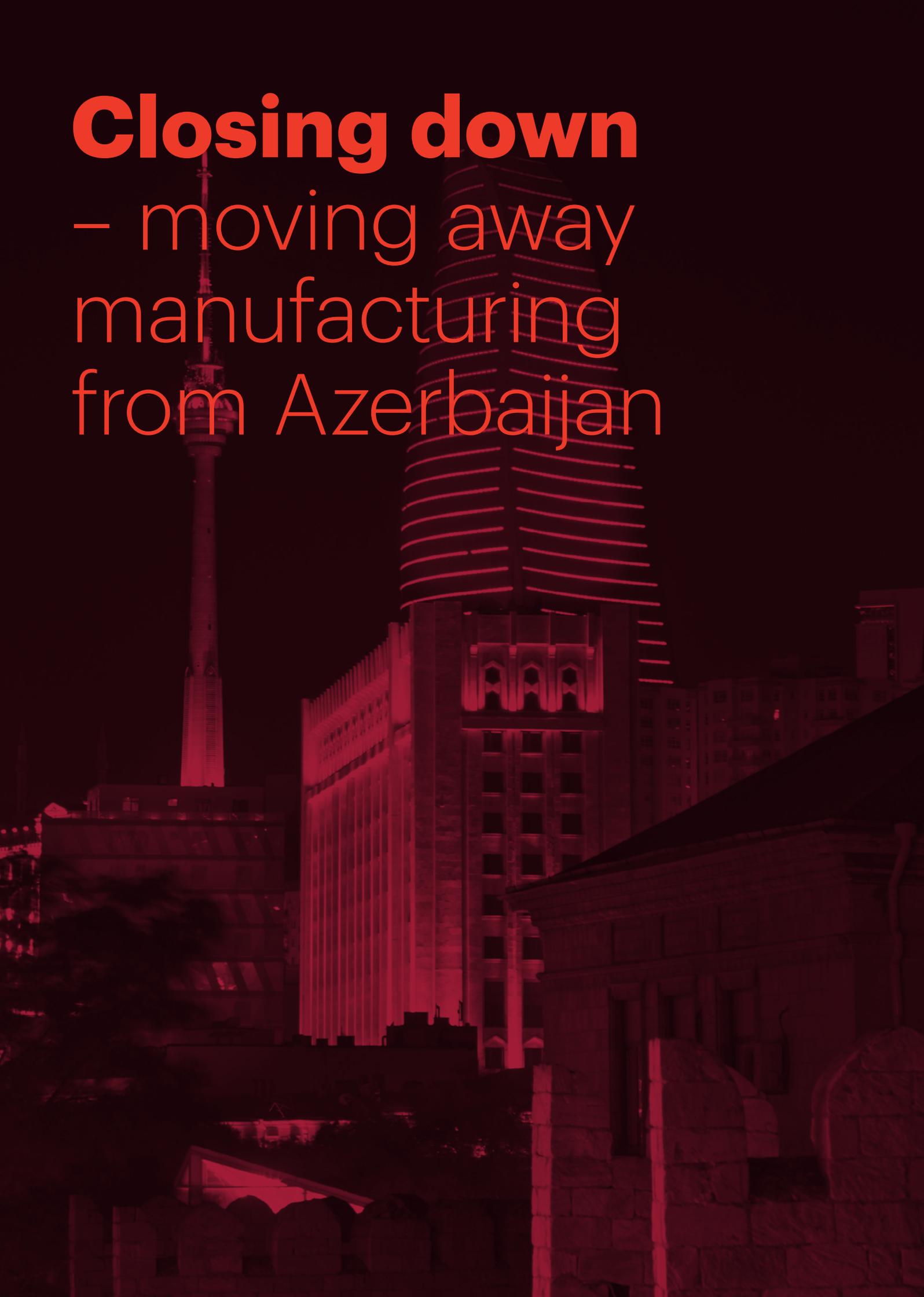
Unless a criminal case is opened, the statute of limitation for tax liabilities is three years.

H. Intellectual Property & Technology acquisition

- IP due diligences (patents, trademarks, designs, software, copyright, trade secrets)
- Negotiating and drafting legal documents related to Technology acquisition, including assignment and license agreements, if required
- Post-closing actions

Closing down

– moving away
manufacturing
from Azerbaijan





Legal entities, branches and representative offices must undergo a number of steps prior to de-registration.

- a. Approval of a formal statement (stating assets and liabilities) on the solvency of the legal entity and indicating a 12-month deadline for the settlement of claims with the creditors. (The statement must be approved at the request of the members of the executive body of the company not earlier than 20 days prior to the liquidation resolution. If the company's executive body states the impossibility to adopt a formal declaration of solvency, the company's independent auditor, as then appointed by the General Meeting, may approve its own conclusion on the solvency of the legal entity. An audit report is considered an appropriate official statement)
- b. Adoption of a resolution on the liquidation and the appointment of a liquidation commission
- c. Not later than 10 days from the date of the adoption of the liquidation resolution, the publication of a notice of liquidation in the official press, specifying a period of at least two months for the submission of claims. Such notice must be published in the same manner two additional times: a second publication 15-20 days after the first publication and a third publication 15-20 days after the second publication.
- d. Sending a notification on liquidation to all known creditors (if any)
- e. Submission of the formal statement (referred to in (a) above), the resolution on liquidation and the seal of the entity to the registration department within 15 days from the date of the adoption of the liquidation resolution
- f. Ordering a new seal for the entity with the notation "in the process of liquidation" for further use by the liquidation commission (liquidator)
- g. Notifications to the State Social Protection Fund, the Audit Department of the Ministry of Taxes and the State Customs Committee with requests for closing audits
- h. Completing various reports and documents requested by the tax authorities

- i. Preparing a preliminary liquidation balance within ten days of the expiration of the two-month period for filing claims
- j. Settlements with creditors (to be completed within 12 months)

Within five days of completing settlements with creditors, the liquidation balance and a statement of the plan for the allocation of the remaining assets to the owner of the representative office are compiled. These documents must be approved by the owner of the representative office within 45 days. Such property is subject to transfer to the owner of the representative office within 10 days.

Submission of the required clearances from the necessary state bodies, the liquidation balance, the asset distribution plan, the document confirming the allocation of the remaining assets to the owner and other documents provided by legislation to the registration department of the Ministry of Taxes within 10 days from the date of the allocation of the assets.

Document from the Ministry of Taxes confirming deregistration is received.

The total duration of the process for the liquidation of a legal entity shall not exceed one year from the date of submitting the documents to the registration department. Exceeding this period would entail the recommencement of the liquidation process.





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