

Legal updates:

In this issue, we would like to bring to your attention a brief overview of the recent amendments to the legislation concerning the following:

- Administrative and criminal liability for violation of the rules on internal and external borrowing by state-owned legal entities;
- Amendments to the Criminal Penalties Execution Code;
- New regulations on outdoor advertising;
- Increasing the minimum monthly salary;
- Regulations on functioning and supervision over credit bureaus.

⇒ **Administrative and criminal liability for violation of the rules on internal and external borrowing by state-owned legal entities**

On 16 and 17 December 2017, the amendments to the Criminal Code and the Code of Administrative Offences (the “**Amendments**”) were published. The Amendments establish administrative and criminal liability for violation of the rules on internal and external borrowing by state-owned legal entities. To be more precise, internal and external borrowing by state-owned legal entities without prior approval from Ministry of Finance is now subject to administrative and criminal liability depending on the amount of damage caused by a particular violation.

For this purpose, it is worth to clarify, that under the Amendments, borrowing of state-owned legal entities without prior approval from the Ministry of Finance resulting in minor damage (e.g. up to AZN 20,000) is subject to administrative liability, while the damage starting from AZN 20,000 constitutes criminal liability.

By way of background information, it should be noted, that the Amendments refer to the Rules on external and internal borrowing by state-owned legal entities (hereinafter in this section - the “**Rules**”) establishing an approval procedure of borrowing by such entities. Pursuant to the Rules, the concept of state-owned legal entities encompasses the following legal entities:

- Joint-Stock Companies, Limited Liability Companies in which state, either directly or indirectly owns 51% or more percent of the shares;
- Non-commercial legal entities and public legal entities established by the state;
- Commercial legal entities, non-commercial legal entities and public legal entities that are established by any of the legal entities listed above, provided that the latter owns 51 or more percent of the shares in the established entities.

⇒ Amendments to the Criminal Penalties Execution Code

On 21 December 2017, the Law on Amendments to the Criminal Penalties Execution Code (hereinafter - the "Law") were published. Among other amendments the Law introduces probation control which serves as a measure of control over specified category of people as well as a measure to ensure rehabilitation and social adaptation of these people. Probation control is exercised in relation to the persons including below:

- Persons who have been sentenced to penalties other than imprisonment;
- Persons who have been conditionally sentenced;
- Persons who have been conditionally released from penalty or with suspended sentence.

Apart from above, the Law establishes provisions governing execution of restriction of liberty such as application of electronic control devices and procedure of serving this penalty. And with that, the recent amendments to the Criminal Code establishing restriction of liberty entered into force together with the amendments established by the Law *i.e.* on 21 December 2017.

⇒ New regulations on outdoor advertising

On 19 December 2017, the President signed the Decree approving the following acts:

- The Rules on issuance of permit for outdoor advertising and supervision over this area

These rules establish general procedure on application for obtainment of the permit for outdoor advertising (the "Permit"), bodies entitled to issue the Permit and rules for supervision over the outdoor advertising. It should be noted that recently established State Advertisement Agency is a competent body (except for Icherisheher and Qala).

It should be also noted that the Permit is given for a period not exceeding one year.

- Amount of state duty for obtainment of the Permit

The Decree establishes amount of state duty to be paid in order to obtain the Permit. It should be noted that this amount varies depending on a particular advertisement carrier and a region of placement of advertisement.

- Amount of payment for the placement of outdoor advertising

Outdoor advertising is also subject to monthly fee to be paid to the competent authority depending on a particular advertisement carrier and a region where the advertisement is placed.



Building a better
working world

⇒ **Increasing the minimum monthly salary**

According to the Order of the President on “Increasing the minimum monthly salary” signed on 25 December 2017, starting from 1 January 2018, the minimum monthly salary is set at AZN 130 (previously AZN 116).

⇒ **Regulations on functioning and supervision over credit bureaus**

On 28 December 2017 the Financial Markets Supervisory Authority of the Republic of Azerbaijan adopted the Rules on functioning and supervision over credit bureaus (hereinafter in this section - the “**Rules**”) that entered into force on 5 January 2018. Among others, the Rules govern the following:

- Minimum charter capital required for a credit bureau (2 million AZN);
- Requirements to the executive body of credit bureau;
- Supervision over the credit bureau.

Contacts

We hope that you will find this overview helpful. For more detailed information, please contact the following specialists:

Arzu Hajiyeva
Partner, Tax & Law

Tel: +994 (12) 490 7020
Email: arzu.hajiyeva@az.ey.com

Zaur Gurbanov
Senior Manager, Tax & Law

Tel: +994 (12) 490 7020
Email: zaur.gurbanov@az.ey.com

Ulvi Yusifov
Senior Manager, Tax & Law

Tel: +994 (12) 490 7020
Email: ulvi.yusifov@az.ey.com

Ilya Murzinov
Head of Law, Tax & Law

Tel: +994 (12) 490 7020
Email: ilya.murzinov@ru.ey.com

This publication has been carefully prepared, but it necessarily contains information in summary form and is therefore intended for general guidance only, and is not intended to be a substitute for detailed research or the exercise of professional judgment. EY can accept no responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate adviser.

EY Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY works together with companies across the CIS and assists them in realizing their business goals. 4,500 professionals work at 20 CIS offices (in Moscow, St. Petersburg, Novosibirsk, Kazan, Togliatti, Vladivostok, Yuzhno-Sakhalinsk, Almaty, Astana, Bishkek, Baku, Kyiv, Tashkent, Tbilisi, Minsk and other locations).

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2018 Ernst & Young (CIS) B.V.
All Rights Reserved.

Contacts

Almaty +7 (727) 258 5960	Minsk +375 (17) 209 4535
Astana +7 (7172) 58 0400	Moscow +7 (495) 755 9700
Baku +994 (12) 490 7020	St. Petersburg +7 (812) 703 7800
Kazan +7 (843) 567 3333	Tashkent +998 (71) 140 6482
Kyiv +380 (44) 490 3000	Tbilisi +995 (32) 43 9375