



STATE TAX SERVICE UNDER THE MINISTRY
OF ECONOMY OF THE REPUBLIC OF
AZERBAIJAN

STATE REGISTRATION OF COMMERCIAL ENTITIES: REFORMS, PROBLEMS AND FUTURE PLANS

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Azerbaijan

Territory: 86,600 km²

Capital: Baku

Population: 10,186,0 mln.

Economically active: 5,334,3 mln.



GDP (nominal) 2021 estimate

- Total \$54,622 billion
- Per capita \$5,398 ths.

Registration of business entities

Since January 1, 2008, the State Tax Service has been carrying out state registration, registry, tax accounting, and issuing taxpayer identification numbers (TIN) of the following business entities :



- commercial legal entities;
- branches and representative offices of foreign commercial legal entities;
- public legal entities;
- individual entrepreneurs.

State registration of commercial entities

Before reforms

53 days & 13 procedures

filling out 33 documents...

registration in various government agencies ...

**! Complex, multifaceted
and costly registration
system...**

Ministry of Justice

Social Protection Fund

State Statistics Committee

State Tax Service

... loss of time and money

State registration – reforms 2008



Application of «One-stop» shop system

*Decree Nr. 2458 of the AR President
dated October 25, 2007*



Identification of a single registration authority (STS)



Identification of a single registration number (TIN)



Implementation of registration in a short period of time (3 days)



Reducing the number of documents

Reforms 2011-2012



Legal entity



Regular

Rapid

**Only with «E- signature»
and e-application**



**Individual
entrepreneur**

Immediate

**Only with «E- signature»
and e-application**

«Rapid» registration

Internet Tax
Office



1. Enter the
Internet Tax
Office



2. Fill in an
e-form



3. Verification of
data by the
system



4. **Electronic
application, charter**
is generated
automatically



Total: 5 minutes



5. The signed documents are
sent to Automated Tax
Information System (ATIS)



6. **Certificate, charter, extract from the state
registry** is sent to the electronic cabinet of a
legal entity

«Regular» registration

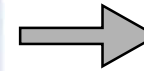
Internet Tax Office



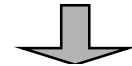
1. Enter the Internet Tax Office



2. Fill in an e-form



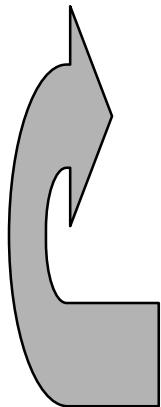
3. Verification of data by the system



4. **Electronic application, charter** is generated automatically



Total: 20 minutes



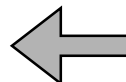
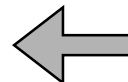
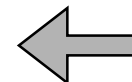
7. **Certificate, charter, extract from the state registry** is sent to the electronic cabinet of a legal entity



6. Verification of data at the tax authority



5. The signed documents are sent to Automated Tax Information System (ATIS)



New approach (28.12.2018) PIN-code + mobile number



Simple method (via a single procedure) – state registration by PIN code & mobile number, VAT registration and opening of a bank account

E-transmission of data on labour contracts to the information system of the Ministry of Labour and Social Protection of Population during the registration process without e-signature

Barcode encrypted certificate on state registration

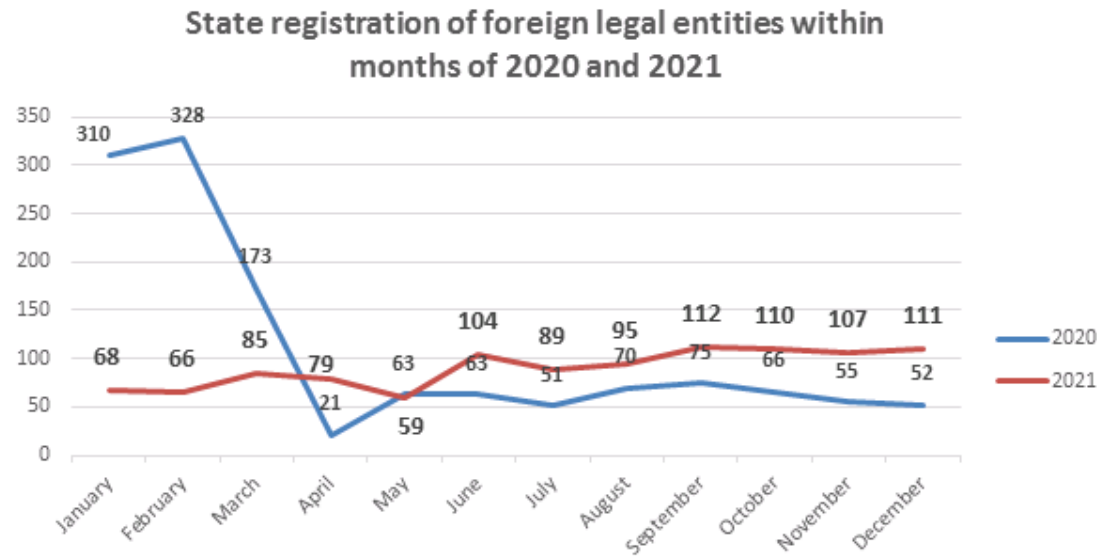
Electronic circulation of registration documents (certificate, charter, extract from the state registry)

Maximum electronicization of state registration of LLC with local investments

Statistics on the registration of business entities during the pandemic

| | 2019 | 2020 | Comparison (with previous year) | | 2021 | Comparison (with previous year) | |
|---|--------|--------|---------------------------------|-------------|--------|---------------------------------|-------------|
| | | | Increase and decrease | in per cent | | Increase and decrease | in per cent |
| Number of taxpayers: | 111389 | 174650 | 63261 | 56,7 | 124042 | -50608 | -29,0 |
| Number of individuals | 95067 | 165099 | 70032 | 73,7 | 111913 | -53186 | -32,2 |
| Legal entities | 16322 | 9551 | -6771 | -41,5 | 12129 | 2578 | 27,0 |
| among them: | | | | | | | |
| Commercial entities | 15888 | 9230 | -6658 | -41,9 | 11846 | 2616 | 28,3 |
| Commercial entities with foreign investments | 3228 | 1338 | -1890 | -58,6 | 1114 | -224 | 16,7 |
| LLSs with local investments | 12522 | 7785 | -4737 | -37,8 | 10574 | 2789 | 35,8 |
| Number of e-registration | 11149 | 6763 | -4386 | -39,3 | 9797 | 3034 | 44,9 |
| Specific weight of e-registration in per cent | 89,0 | 86,9 | - | -2,1 | 92,7 | - | 5,8 |

Registration of commercial entities with foreign investments during the pandemic



- ❑ Decrease in registration of commercial entities with foreign investments during the pandemic
- ❑ Special weight of registration of commercial entities with foreign investments in total registration

| 2019 | 2020 | 2021 | 2022 |
|--------|--------|-------|--------|
| 20,3 % | 14,5 % | 9,4 % | 24,0 % |



Problems

❖ Nominee Director



❖ Beneficial owner



The post-pandemic plans



- Development of software for electronic implementation of changing the LLC registration data;
- State registration of information on the beneficial owner (owners) of commercial entities and maintenance of a state registry;
- Creating the possibility of electronic state registration of other organizational-legal forms of commercial legal entities;
- Legislation limiting the right of risky taxpayers to establish a legal entity;
- Implementation of electronic registration of LLCs in a more advanced form ("face recognition" methods);

The post-pandemic plans



- Within registration process, creation of access to information about sanctioned persons with UN resolutions;
- Eliminating the requirement to add a document confirming the legal address to the e-application during the e-registration of the foreign-invested LLC, transferring the information on the labor contracts of the employees to the information system of the Ministry of Labour;
- Creation of software related to the organization of remote registration and delivery service of e-apostille issued foreign documents by a notary;
- Creation of software related to the organization of the service of delivery of e-copies of legalized documents to the address of the client within the framework of the "E-notary" information system.

Azerbaijan - international arena

- ❖ «Doing Business 2020» Report distinguished Azerbaijan in the **9th** place by "Starting business" indicator among 190 countries.
- ❖ Starting a business score amounted to **96.2** per cent.
- ❖ "Doing Business 2020" Report distinguished Azerbaijan as "one of the 10 most reforming countries in the world".
- ❖ **CRF Innovation Award – Commendation** by CRF Executive Committee.
- ❖ Participation in the World Bank «Business Entry 2022» project.





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Thank you very much for your attention !

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