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.
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

- Online registration

Legal entity
- Regular
- Rapid
  - Only with "E-signature" and e-application

Individual entrepreneur
- Immediate
  - Only with "E-signature" and e-application
«Rapid» registration

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
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

Total: 5 minutes
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

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

6. Verification of data at the tax authority

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

Total: 20 minutes
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

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>Comparison (with previous year)</th>
<th>2021</th>
<th>Comparison (with previous year)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Increase and decrease</td>
<td>in per cent</td>
<td>Increase and decrease</td>
</tr>
<tr>
<td>Number of taxpayers:</td>
<td>111389</td>
<td>174650</td>
<td>63261</td>
<td>56,7</td>
<td>124042</td>
</tr>
<tr>
<td>Number of individuals</td>
<td>95067</td>
<td>165099</td>
<td>70032</td>
<td>73,7</td>
<td>111913</td>
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<tr>
<td>Legal entities</td>
<td>16322</td>
<td>9551</td>
<td>-6771</td>
<td>-41,5</td>
<td>12129</td>
</tr>
<tr>
<td>among them:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial entities</td>
<td>15888</td>
<td>9230</td>
<td>-6658</td>
<td>-41,9</td>
<td>11846</td>
</tr>
<tr>
<td>Commercial entities with foreign investments</td>
<td>3228</td>
<td>1338</td>
<td>-1890</td>
<td>-58,6</td>
<td>1114</td>
</tr>
<tr>
<td>LLSs with local investments</td>
<td>12522</td>
<td>7785</td>
<td>-4737</td>
<td>-37,8</td>
<td>10574</td>
</tr>
<tr>
<td>Number of e-registration</td>
<td>11149</td>
<td>6763</td>
<td>-4386</td>
<td>-39,3</td>
<td>9797</td>
</tr>
<tr>
<td>Specific weight of e-registration in per cent</td>
<td>89,0</td>
<td>86,9</td>
<td>-</td>
<td>-2,1</td>
<td>92,7</td>
</tr>
</tbody>
</table>
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

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<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>20.3%</td>
<td>14.5%</td>
<td>9.4%</td>
<td>24.0%</td>
</tr>
</tbody>
</table>
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

- 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.
Thank you very much for your attention!

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