



## Legal updates

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

- Amendments to the Civil Code
- Additional rules for credit institutions
- New import limitations on used passenger cars
- Legislative changes related to international road transportation
- Labor protection measures at no cost for employees
- Central Bank: New parameters of interest corridors
- New zero-rated goods

### Amendments to the Civil Code

*On February 24, 2023, the Law on amendments to the Civil Code of the Republic of Azerbaijan was adopted.*

According to the changes, 13 existing articles of the Civil Code are amended and Chapter 37 (Loan Regulations) is completely revised.

The changes cover two major directions:

(i) Improvements in the regulation of loan agreements aiming to better protect debtors and consumers. In general, the amendment introduces the following changes:

- Lender cannot provide a loan that will be used for buying its own shares. Also, shares of the creditor cannot be used as a security for the performance of loan obligations owed to the same creditor. These measures are taken to prohibit indirect share buy-backs and the practice of setting off the payments for such buy-backs.
- A detailed regulation of when a loan (money and other substituted goods) is considered to be granted and returned/repaid under a loan agreement is provided;
- Interest is calculated on the outstanding principal amount, rather than the whole amount of the debt;
- Only those who are duly authorized to issue credits are entitled to act as lenders on a regular basis and lend money to an unlimited number of borrowers for commercial purposes.

- A new credit agreement category –consumer credit agreement – is introduced. The main objective of this legal instrument is to protect consumers by adopting special measures, such as the initial information system for the avoidance of any confusion, prohibition of applying fluctuating interest rates, interpretation of all uncertainties in favor of the consumer, etc.

(ii) Responses to the new challenges in the light of the development of information society. The Law covers the below amendments in this regard:

- Contracts (i) concluded electronically or via other technical means and (ii) whose content can be reflected in a material form without being changed, will be considered to comply with the written form requirement. Using any method to authenticate the parties providing their expression of will should satisfy the signature requisite. Any other special methods for accurate identification can be determined by the law or the agreement of the parties.
- Consumption credit agreement can be concluded in any durable form along with paper.

The Law enters into force on October 1, 2023.

## Additional rules for credit institutions

*On February 24, 2023, the Law on amendments to the Laws of the Republic of Azerbaijan "On Credit Unions", "On Banks," and "On Non-Bank Credit Institutions" (the "Amendment") was adopted.*

As a result of the Amendment, it is mandatory to consider the requirements of the Civil Code while granting loans by credit unions and receiving (returning) loans from/by credit union members.

The Amendment provides a new rule concerning the legal regulation of relations between banks and their clients. Namely, unless otherwise provided in the Civil Code, the amount or calculation procedure of interest and (or) other fees arising from credits is determined by the parties' agreement. Interests, including interest for late payments, and additional fees, are calculated only on the amount of the outstanding principal balance until the repayment date.

Also, provisions of credit agreements concluded by Non-Bank Credit Institutions should conform with the requirements of the Civil Code.

The Amendment came into force on March 31, 2023.

## New import limitations on used passenger cars

*On 29 March 2023, Decision №94 of the Cabinet of Ministers of the Republic of Azerbaijan "On restriction on import of used passenger cars into the customs territory of the Republic of Azerbaijan" (the "Decision") was adopted.*

The Decision aims at protecting people's life and health, as well as the environment, reducing the harmful substances released from motor vehicles, and improving the ecological situation. Accordingly, import of

passenger cars older than 10 (ten) years, based on the factory release date, to the territory of the Azerbaijan Republic will be restricted. This restriction does not apply to rare (vintage) and temporarily imported passenger cars.

The Decision enters into force on April 28, 2023.

## Legislative changes related to international automobile transportation

*On February 24, 2023, Amendments to the Customs Code and Law "On State Duty" of the Republic of Azerbaijan" (the "Amendments") were adopted.*

According to the Amendments, issuing permission forms at state border checkpoints to vehicles performing international road transportation has been removed from the list of customs authorities' duties. Also, the requirements of the Law "On State Duty" regulating the payment of state duty for such permits have been revoked.

After amendments, no state duty is applied in the following cases during entry/exit to the territory of the Azerbaijan Republic or transit passage:

- In case, the number of entry/exits or transit passages exceeds the established quota for transportation of cargos and passengers by road by the transporters of the foreign countries that have an Intergovernmental Agreement with Azerbaijan on international road transportation
- Transportation of cargos and passengers by road by the transporters of the foreign countries that do not have an Intergovernmental Agreement with Azerbaijan on international road transportation;
- Shipments to and from third countries;
- Loading the vehicles registered in foreign countries in the territory of Azerbaijan
- Entry of the unloaded vehicles registered in foreign countries to the territory of Azerbaijan
- Entry of large tonnage vehicles registered in foreign countries into Baku, Sumgayit, and Ganja cities
- When the transporters who have violated the interstate agreements leave the territory of Azerbaijan.

The Amendment came into force on March 1, 2023.

## Labor protection measures at no cost for employees

*On February 24, 2023, the Law on amendment to the Labor Code of the Republic of Azerbaijan (the "Amendment") was adopted.*

As per the Amendment, employees do not bear any costs related to financing of labor protection measures.

Prior to the change, this matter was not clearly specified in the Labor Code.

The Amendment came into force on March 10, 2023.

## Central Bank: New parameters of interest corridors

*On March 29, 2023, the decision of the Management Board of the Central Bank of the Republic of Azerbaijan "on parameters of interest corridors" (the "Decision") was adopted.*

With the Decision, the discount rate (8.75%), the lower limit (7%), and the upper limit (9.75%) of the interest corridor were raised. The Decision was made based on the Central Bank's continuing anti-inflationary monetary policy as a reaction to the risks observed in the internal and external inflation environment. The purpose of the Decision is to reduce inflation and normalize monetary policy.

The Decision came into force on March 30, 2023. Information about the following decision on monetary policy will be publicly announced on May 3, 2023, and a press conference will be held in this regard.

## New zero-rated goods

*On April 15, 2023, the decision of the Cabinet of the Ministry of the Republic of Azerbaijan on the amendment to the goods nomenclature of foreign economic activity, and rates of import and export customs duties (the "Decision") was adopted.*

By the Decision, the rates of import customs duties for 270 types of goods were lowered to 0% until December 31, 2030. These goods include, among others, a number of food and household products. Before changes, rates of import duties for these goods were set as 5% and 15%.

The Decision will come into force on January 01, 2024.

## Contacts

We hope that you will find this overview helpful.  
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