

*Approved by the Decision of the Cabinet of Ministers
No. 89 dated March 27, 2006*

RULES

for taxation at a zero (0) rate of VAT of goods and services intended for the official use of diplomatic representations and consular offices of foreign states, for representations of the international organizations, as well as for personal use of diplomatic and administrative-technical staff of such representations including members of their families living with them

1. General provisions

1.1. These Rules determine the regulations for taxation at a zero (0) rate of VAT of goods and services intended for the official use of diplomatic representations and consular offices of foreign states, for representations of the international organizations, as well as for personal use of diplomatic and administrative-technical staff of such representations including members of their families living with them.

1.2. These Rules concern the diplomatic representations and consular offices of foreign states accredited in Azerbaijan Republic and registered in tax authorities for the purposes of reimbursement of overpaid VAT, the representations of the international organizations as well as diplomatic and administrative-technical staff of such representations including members of their families living with them.

1.3. These Rules do not concern the staff of diplomatic representations and consular offices of foreign states and representations of the international organizations who are the citizens of the Republic of Azerbaijan and members of their families.

1.4. These Rules are not applied to the goods (services) acquired from legal and physical persons who are the payers of the simplified tax, and also, carrying out kinds of VAT exempted activities, who realize the sale of goods (services) without VAT according to the system of the taxation applied to them.

2. General definitions

2.1. The following terms are used for the purposes of these Rules:

2.1.1. *representation* - diplomatic representations and consular offices of foreign states accredited in the Republic of Azerbaijan, representations of international organisations.

2.1.2. *staff and family members* - the diplomatic and administrative-technical staff of the diplomatic representations and consular offices of foreign states accredited in the Republic of Azerbaijan and members of their families, representations of the international organizations.

2.1.3. *exceptions* - not applying zero (0) rate of (or exemption from) VAT (or similar taxes) to certain kinds of goods and services.

2.1.4. *limitations* - application of zero (0) rate of (or exemption from) VAT (or similar taxes) with limitations in respect to the quantity and amount of goods and services.

2.1.5. *mutuality principal* - application of the zero (0) rate of (or exemption from) VAT with exceptions or limitations in respect to diplomatic representations or consular offices of any state, and also in respect to staff of this representation and their family members, depending on kinds, quantity and amount of the goods and services, in case where the same exceptions and limitations are applied in that state in respect to appropriate representation of the Republic of Azerbaijan, and also in respect to the staff of this representation and their family members.

3. Rules of taxation

3.1. Taxation at zero (0) rate in respect to goods and services intended for the official use of representations is performed in the following way:

3.1.1. If the sale of the goods and services intended for official use by representations is carried out on the basis of the civil-law acts or other contracts concluded with these representations, during these operations, taxation at zero (0) rate is applied, taking into account the exceptions (limitations) on the basis of mutuality principle in respect to each concrete representation in the way specified in the Notice as attached as Annex 1 to these Rules given to these representations by the Ministry of Foreign Affairs of the Republic of Azerbaijan.

The notice is given for the period of 1 year, on the basis of the information according to Annex 2 to the Rules given by diplomatic representations and consular

offices of the Republic of Azerbaijan in foreign states about the regulations of application of VAT (or similar taxes) in respect to diplomatic representations and consular offices of the Republic of Azerbaijan in these states.

If during the given period there will be changes in the regulations of application of VAT (or similar taxes) in respect to diplomatic representations and consular offices of the Republic of Azerbaijan in any state, the diplomatic representation and consular office of the Republic of Azerbaijan in that state informs the Ministry of Foreign Affairs on this in a short term, and on the basis of it, a new Notice is given to the diplomatic representation and consular office of the given state in the Republic of Azerbaijan.

If necessary, the Ministry of Foreign Affairs can apply to the diplomatic representations and consular offices of foreign states in the Republic of Azerbaijan in order to obtain appropriate information from these representations.

The ministry of Foreign Affairs submits copies of the given Notice and Annex 2 to the Ministry of Taxes and Ministry of Finance within 5 working days.

While purchasing goods and services, the representations should present the copy of the Notice, certified by themselves, to the taxpayer who is carrying out the sale of goods and services.

If the copy of the Notice is not presented, the zero (0) rate of VAT is not applied.

If on the basis of mutuality principle there are limitations on quantity of the goods and services in respect to the representation, goods and services are sold with VAT and then the overpaid amount of tax is reimbursed.

From the date of coming into force of these Rules until the date of reception of the Notice from the Ministry of Foreign Affairs, goods and the services are purchased by representations with VAT, and then the overpaid amount is reimbursed according to these Rules.

3.1.2. If the sale of the goods and services intended for official use of representations is carried out on the basis of the civil-law acts or other contracts concluded with these representations, goods and the services are sold with VAT and then the paid amount of the tax is reimbursed.

3.2. The taxation at a zero (0) rate of VAT for the goods and services for the personal use of the staff of representations and their family members is carried out by granting these goods and services with VAT and subsequent reimbursement of the paid tax.

3.3. The basis for return of the VAT is the tax invoice given by the persons selling goods and services.

The number of the accreditation certificate of the responsible official of the representation who have purchased goods (services) in case of purchase of goods and services for official use and the number of the accreditation certificate of the person (family member) in case of purchase of goods and services for personal use of the staff and their family members should also be specified.

The tax invoice is not required, if there is a cheque of the control-cash device on which names of goods or services and the amount of VAT is specified in a separate line. The name and surname of the buyer of the goods (services), number of his accreditation card and seal of the taxpayer selling the goods (services) should be on the backside of the control-cash device cheque.

3.4. When selling goods and services, taxpayers who are carrying out the sale should give the tax invoices, an indication of the rate of the VAT (0 or 18 %).

At retail sale of the goods and services the taxpayers should give out the cash cheques, and when required, also the tax invoices.

In case of application of the zero (0) rate of VAT, taxpayers should present a copy of the Notice received from representation together with the VAT return to tax authorities.

4. Rules for presentation of the documents

4.1. For reimbursement of the VAT paid for goods and services acquired for official use of the representation, as well as for personal use by the staff and their family members, the representations should submit the application in the form specified in Annex 3 to the appropriate tax authority. The application should be signed by the authorized person of the representation and confirmed by a seal.

The applications for return of the tax for each quarter, submitted in two copies, before the 20th day of the month following that quarter.

One of the copies, with the appropriate mark, is given back to the representation, and another one is kept at tax authorities.

The following documents are attached to application:

- ✱ List of the staff of the representation and their family members according to the form specified in Annex 4 to these Rules (with indication of appropriate information on accreditation certificates);
- ✱ List of initial documents according to the form specified in Annexes 5 and 6 to these Rules;
- ✱ Tax invoices (with attached copies of the bank payment documents, receipts and other documents confirming payment), confirming payment of the taxes for the acquired goods and services or cheques of the control-cash device on which names of goods or services and the amount of VAT is specified on a separate line.

The list in the form specified in Annex 5 to these Rules is filled by the person autho-

rized for purchasing goods and services for official use of the representation, and the list in the form specified in Annex 6 is filled by the person or his family members.

4.2. The application and other documents are presented by an authorized person nominated by the representation or by mail after filling completely.

4.3. Documents confirming the authorities and terms of authorities of the person authorized to sign the applications, and also, of the person presenting the application and attached documents and signed by the head of the representation and confirmed by a seal of representation should be submitted to tax authorities.

4.4. With a condition of observance of the appropriate period determined by the legislation in force, the amount of taxes overpaid by the representation or staff and their family members for past periods can be included in the amount of the tax required to be reimbursed for the appropriate quarter.

4.5. If it is necessary, the authorized official of the tax authority can undertake an appropriate trial by making a request to the authorized person of representation, as well as to the taxpayer who has sold the goods or service.

4.6. In the following cases tax authorities should inform in writing the representation that there is no basis for return of the VAT within 15 days from the date of receipt of the documents:

- ✱ The documents are not made in an appropriate way;
- ✱ the information is not specified completely and correctly;
- ✱ all necessary documents are not submitted;
- ✱ validity of submitted documents is not certified;
- ✱ in case if there are exceptions and limitations on the goods and services specified in the submitted documents;
- ✱ the term determined by the current legislation for the reimbursement of taxes has expired.

5. Reimbursement of overpaid taxes

5.1. The tax authority will consider the submitted documents within 25 days from the date of receipt of the application, and make a decision on reimbursement of the overpaid VAT in the form specified in Annex 7 to these Rules, in 5 copies.

Two copies of the decision and a copy of the application are submitted to the appro-

appropriate financial authority for reimbursement of the overpaid amount; one copy and a copy of the application is submitted to the Ministry of Foreign Affairs; one copy is submitted to the representation; and one copy is kept by the tax authorities.

5.2. The actions of the financial authorities on reimbursement of overpaid taxes are carried out in the order determined by the legislation.

The overpaid taxes are reimbursed by financial authorities to the accounts of the representations opened in authorized banks in the territory of the Republic of Azerbaijan in Azerbaijan manats.

The appropriate financial authority informs the appropriate tax authority of it within 5 days.

6. Terms of reimbursement of overpaid taxes

Overpaid taxes should be reimbursed within 45 days. This term covers the period from the date of submission of the application by the representation, until the day of drawing out of the amount from the account of the appropriate state treasury.

7. Responsibility of tax and financial authorities

7.1. In case the overpaid taxes are not reimbursed by the targeted dates, the representation (or to the staff and their family member) receives interest at a rate of 0.05 percent of the amount subject to reimbursement for each delayed day prior to return of these amounts (including the day of payment).

7.2. If the delay of return of overpaid taxes from the budget has taken place because of non-observance of existing regulations by the representation (or the staff and their family members), interest for the delayed period is not paid.

Ministry of Foreign Affairs of the Republic of Azerbaijan

Information on diplomatic representations and consular offices of foreign states and representations of international organizations

Full name of the representation

Address

Accreditation date

NOTICE

on application of the VAT at a zero (0) rate in respect to goods and services intended for official use

| No | Name of goods and services | Order of application of the VAT at a zero (0) rate ("complete", "partially" or "no") |
|---------------------|----------------------------|--|
| I. Goods | | |
| 1 | | |
| 2 | | |
| x | | |
| II. Services | | |
| 1 | | |
| 2 | | |
| x | | |
| Effective until: | | 200__ . |

Authorized person of the Ministry of Foreign Affairs

Name, last name

Position

Signature

Date

200__ .

S.P.

Backside of the Notice

1. The Notice is applied according to Articles 165.1 and 165.2 of the Tax Code of the Republic of Azerbaijan and to the Rules for taxation at a zero (0) rate of VAT of goods and services intended for the official use of diplomatic representations and consular offices of foreign states, for representations of the international organizations, as well as for personal use of diplomatic and administrative-technical staff of such representations including members of their families living with them, approved by the Decision of the Cabinet of Ministers of the Republic of Azerbaijan number 89 dated March 27, 2006.

The notice is given by the Ministry of Foreign Affairs of the Republic of Azerbaijan to diplomatic representations and consular offices of the foreign states, representations of international organizations (further "representations"), acting in the Republic of Azerbaijan.

2. If the sale of the goods and services intended for official use of representations is carried out on the basis of the civil-law acts or other contracts concluded with these representations during these operations, taxation at zero (0) rate is applied in the way specified in this Notice.

3. The word "complete" in the Notice means application on the specified kinds of goods (services) of the VAT at a zero (0) rate without any limitation, the word "partially" - with limitations, the word "no" - no application of the given rate at all.

4. When purchasing goods and services representations should submit a copy of the Notice certified by themselves to the taxpayer selling goods and services.

If the copy of the Notice is not submitted, the taxation of the VAT at a zero (0) rate is not applied.

5. When selling goods and services the taxpayers who are carrying out sale should give the tax invoices with an indication of the rate of the VAT (0 or 18 %).



INFORMATION

on the regulations of application of the VAT in respect to diplomatic representations and consular offices of the foreign states and those of the Republic of Azerbaijan

- ✓ **1.** General principle:
 - a) Preliminary exemption;
 - b) Paid and reimbursed later;
 - c) Any other rule.

- ✓ **2.** The mechanism of application of this principle:
 - a) Mechanism used at preliminary exemption;
 - b) Mechanism used at the later reimbursement (including a list of the documents presented for reimbursement of paid taxes);
 - c) Mechanism of application of any other rule.

- ✓ **3.** The list of the goods and services, on which the taxation at zero (0) rate of (or exemption from) VAT is applied ("yes", "partially" is applied, "no")


| № | Goods (services) | For official use of the representation | Personal use of the staff and their family members | | | | |
|---------------------|------------------|--|--|------------------|--------------------------------|--|--|
| | | | Head of representation | Diplomatic staff | Administrative-technical staff | Family members of the diplomatic staff | Family members of the administrative-technical staff |
| I. Goods | | | | | | | |
| 1 | | | | | | | |
| 2 | | | | | | | |
| x | | | | | | | |
| II. Services | | | | | | | |
| 1 | | | | | | | |
| 2 | | | | | | | |
| x | | | | | | | |

Note: "Complete" - application on the specified kinds of goods (services) of the taxation at a zero (0) rate of (or exemption from) VAT without limitations, "partially" - application with limitations (in this case concrete limitation should be specified), "no" - taxation at zero (0) rate is not applied at all.

- ✓ **4.** General limitations:
 - a)* Minimum cost of single purchase;
 - b)* Maximum amount of annual purchase;
 - c)* Maximum amount of tax reimbursed within a year;
 - d)* Other limitations.

 - ✓ **5.** Terms of reimbursement of paid taxes

 - ✓ **6.** The official extraction from the normative-legal acts reflecting these rules (together with translation into English or Azerbaijan languages) should be applied.

 - ✓ **7.** If in respect to the representation of the Republic of Azerbaijan the rules which are different from general rules where applied the detailed information on these rules, with the indication of the reasons should be submitted.
- 

Name of the tax authority _____

APPLICATION

for reimbursement of overpaid VAT in respect to goods and services intended for the official use of diplomatic representations and consular offices of foreign states, representations of international organizations, and also personal use of diplomatic and administrative-technical staff of these representations, including their family members.

Note of the employee of the tax authority on receipt of the application

Name, last name _____

Position _____

Place for a stamp
"RECEIVED"

Signature _____

Date _____ 200__ .

- 1.** Information on the applicant - diplomatic representation or consular office of the foreign state, representation of international organization

Full name of representation _____

Address _____

TIN _____

- 2.** According to Articles 165.1.1, 165.2 and 87 of the Tax Code of the Republic of Azerbaijan I apply for reimbursement of VAT for specified period.

___ quarter 200__ .

- 3.** Total amount subject to reimbursement (AZN)

including: For the official use of representation _____

For personal use of the staff and their family members _____

- 4.** Information on the bank account of the applicant

Full name of the bank _____

Address _____

TIN _____

Account number _____

Authorized person

Name, last name _____

Position _____

Number of the accreditation certificate _____

Signature _____

Date _____ 200__ .

S.P.

Annex 4

THE LIST

of the staff of the representation and members of their families

| |
|-----------------------------|
| Full name of representation |
| Address |
| TIN |

| | | | | | | | |
|-----------|--|------|-----------|------|---------------------------|---------------|----------|
| 1. | The personnel authorized to purchase goods and services for the official use of the representation | | | | | | |
| | № | Name | Last name | Post | Accreditation certificate | | |
| | | | | | Number | Date of issue | Validity |
| | 1 | | | | | | |
| | 2 | | | | | | |
| | X | | | | | | |
| 2. | Staff of the representation | | | | | | |
| | № | Name | Last name | Post | Accreditation certificate | | |
| | | | | | Number | Date of issue | Validity |
| | 1 | | | | | | |
| | 2 | | | | | | |
| | X | | | | | | |
| 3. | Family members of the staff of the representation | | | | | | |
| | № | Name | Last name | Post | Accreditation certificate | | |
| | | | | | Number | Date of issue | Validity |
| | 1 | | | | | | |
| | 2 | | | | | | |
| | X | | | | | | |

Authorized person

| | | | |
|---|--|--|------|
| Name, last name | | | |
| Position | | | |
| Number of the accreditation certificate | | | |
| Signature | | | S.P. |
| Date | | | |

THE LIST

of initial documents on goods and services purchased for official use of the representation

| |
|-----------------------------|
| Full name of representation |
| Address |
| TIN |

The list of initial documents

| № | Name of goods (services) | Tax invoice or cash cheque | | Name of the seller | Total amount (together with VAT) (AZN) | VAT (AZN) |
|--------------|--------------------------|----------------------------|------|--------------------|--|-----------|
| | | № | date | | | |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| x | | | | | | |
| Total | | | | | | |

Authorized person

| | | | |
|-----------|--|--|------|
| Name | | | |
| Last name | | | |
| Signature | | | S.P. |
| Date | | | |

Annex 6

THE LIST

of initial documents on the goods and services purchased for personal use of the employee (or family members)

1. Information on employee (family member)

Full name of the representation where the employee (or where the employee whose family member the applicant is) works

Name

Last name

2. The list of initial documents

| № | Name of goods (services) | Tax invoice or cash cheque | | Name of the seller | Total amount (together with VAT) (AZN) | VAT (AZN) |
|-------|--------------------------|----------------------------|------|--------------------|--|-----------|
| | | № | date | | | |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| x | | | | | | |
| Total | | | | | | |

Signature

Date

200__ .

REFERENCE

on return of overpaid VAT in respect to goods and services intended for the official use of diplomatic representations and consular offices of foreign states, representations of the international organizations, as well as for personal use of diplomatic and administrative-technical staff of these representations, including their family members

Name of the tax authority

TIN

Name of diplomatic representation and consular office of the foreign state, representation of the international organization

TIN

1. Period of formation of overpayment

__ quarter 200__.

(in manats)

2. Total amount subject to reimbursement

including:

For the official use of the representation

For personal use of the staff and their family members

including: Name, last name of the employee and member of family

1.

2.

X

3. Overpaid amount should be reimbursed to the following bank account

Name of the bank

TIN

Account number

Superior of the tax authority

Name, last name

Position

Signature

Reference number

Date of reference

200__.

S.P.