

Find out about the various business structures available in Azerbaijan and how to get a venture started...

Azerbaijan's stable economy already has an effective oil sector, but the country also wants to develop other kinds of innovative businesses.

### **Types of Business Structure**

#### **Limited Liability Company (LLC)**

An LLC is the most convenient and widespread way of doing business. Azerbaijan's Civil Code states the minimum and maximum amount of share capital; up to 50 people can be founders. If authorized capital is declared, payment must be made immediately at the time the entire company is registered.

## **Joint Stock Company (JSC)**

In Azerbaijan, JSCs are divided into open joint stock companies and closed joint stock companies. The minimum share capital for an open JSC is at least AZN 4,000 (about USD 5,100); while for a closed JSC it is at least AZN 2,000 (about USD 2,550).

## **Representative or Branch Office**

According to Azerbaijan law, a representative or branch office is not a legal entity. The parent company is liable for their activities and they are managed by a director on the basis of a power of attorney issued to him by the parent company. However, representative offices and branches as well as legal persons have the right not only to exercise executive functions, but also to engage in any commercial activity not prohibited by the legislation of Azerbaijan.

Registration can be done in eight working days. There are companies in Azerbaijan that can provide registration services for obtaining the appropriate business license for representative offices or branches of foreign banks.

## **Naming the company**

After selecting a business structure, a few options for the company name are needed. The name of a legal entity in Azerbaijan must be unique. Legal entities with foreign participation which use foreign-language titles must have the name transliterated into the Azeri language.

## **Documents required for registering a company**

For a Limited Liability Company (LLC), the following documents are needed:

- Company name (multiple)
  
- Legal address

- Information about the founder (name, nationality, passport or constituent documents of the company)
- Size of authorized capital
- Types of activities
- Choice of a bank in Azerbaijan and types of accounts
- Other documents (depending on situation, for example: will you rent the office or will have your own, will the founder be the director of the company or the other person will be the director)

For a Representative or Branch Office, the following is needed:

- The founding documents
- Choice of a bank in Azerbaijan and types of accounts
- Other documents (depending on situation, for example: will you rent the office or will have your own)

You need to collect all documents in advance to have the time to translate them into Azerbaijani.

All documents must also be notarized at the Azerbaijani Embassy of the country of the founders (shareholders), or, in accordance with the Hague Convention (1961); documents can be certified by Apostil issued by the relevant authorities after notarization.

For the participants of CIS countries (Russia, Belarus, Uzbekistan, Tajikistan, Armenia, Ukraine, Kyrgyzstan, Moldova, Turkmenistan, Azerbaijan, Georgia), the Apostil and legalization of documents is not required under the Minsk Convention on Legal Assistance and Legal Relations in Civil, Family and criminal cases (from 23 January 1993).

A tax system must then be chosen: simplified tax, VAT, or income tax. Depending on the chosen system of taxation the company will work and submit reports to the tax authorities.

## **Legal address**

Legally, the location of the legal entity is recognized as the location of its permanent body (the CEO, board of directors). Information about the location is entered into the Unified State Register of Legal Entities.

## **Director**

The director may be a citizen of Azerbaijan and also a foreign citizen.

If the director of the legal entity is a foreign citizen, then, according to Azerbaijan law, a work permit is needed. For the director of a representative or branch office, a work permit is not needed.

However, the process of obtaining a work permit for a foreigner is quite complicated: to protect the domestic labour market, there is an annual quota for foreign workers. If there is no time to get a work permit or the presence of the general director is needed for administrative matters, nominee directors in Azerbaijan can be used. These directors can do various things; for example, communicate with the tax authorities or banks. The basic requirement for using a nominee service is that the client's work is fully legitimate.

### Work permits

If a company plans to attract foreign specialists (employees), then the company needs permission for them to work in Azerbaijan. It takes 20 working days to get a work permit and there is a state fee.

The penalty for working without a work permit for individuals is AZN 3,000 to 5,000 (about USD 3,824 to 6,373) and for legal entities is AZN 30,000 to 35,000 (about USD 38,236 to 44,609).

### Registration period

Company registration takes three working days. However, an additional three working days are needed for the preparation and translation of documents.

### **Accounting records**

When registration is completed, the individuals and the legal entities receive a PIN code from the tax authorities. This code is used to submit a primary tax declaration, pension and statistical report.