

## Law of the Azerbaijan Republic

### About leasing activity

The present Law regulates leasing relations in the Azerbaijan Republic, determines rights and obligations of subjects of leasing contract.

#### Chapter I. General

##### Article 1. Main notions

The following main notions are used in the present Law:

leasing □ kind of activity being implemented at the customer□ order by way of purchase of the property with the objective of letting said property on medium- or long-term lease to the customer;

leasing contract □ contract for implementation of leasing activity concluded between the parties (the seller, the leasing enterprise and the leaseholder);

leasing enterprise □ the enterprise acquiring the property which is the object of leasing contract and letting said property on lease to the customer;

leaseholder □ legal entity or physical person taking the property on lease from the leasing enterprise;  
protocol of acceptance □ the document signed by the subjects of leasing contract on acceptance, assembling and commissioning of the property being the object of leasing contract;

leasing payment □ payment made by the leaseholder to the leasing enterprise for the property taken on lease.

##### Article 2. Legislation concerning leasing activity

Leasing activity implemented in the Azerbaijan Republic is regulated by the present Law, other legislative acts and international agreements of the Azerbaijan Republic.

##### Article 3. Sphere of application

The present Law is applicable to legal entities and physical persons exercising activity in the Azerbaijan Republic which are the subjects of leasing contract.

#### Chapter II. Forms of leasing activity

##### Article 4. Forms of leasing activity

Depending on the source of contributed finances, composition of leasing payment, participation of subjects of leasing contract leasing activity is generally implemented in the following forms:

- 1) as per the source of contributed finances aimed to leasing activity:
  - activity implemented at the expense of own resources of the leasing enterprise;
  - activity implemented both at the expense of own resources of the leasing enterprise and resources from other sources (whereas own resources of the enterprise should constitute minimum 30 percent of total cost of the service);
- 2) as per the composition of leasing payment:
  - activity for which leasing payment is taken, including buying cost of the property, expenditures on other services and

- also profits of the leasing enterprise;
  - activity for which leasing payment is taken, including buying cost of the property and profits of the leasing enterprise;
- 3) as per participation of subjects of leasing contract:
- activity implemented with participation of three different parties (the seller, the leasing enterprise and the leaseholder);
  - activity implemented with participation of two different parties (whereas the enterprise which is in need of finances sells its property to the leasing enterprise and then takes it on lease from the leasing enterprise).

### Chapter III. Leasing contract

#### Article 5. Content of leasing contract

1. The parties conclude the contract on leasing activity in a written form.
2. Leasing contract should envisage the following:
  - parties under the contract, their rights and obligations;
  - composition and cost of the property given on lease;
  - in necessary cases guarantee of the leaseholder as regards the property being the object of leasing;
  - term of the contract;
  - amount of leasing payment, term and procedure of payment;
  - depreciated cost of the property by the end of leasing term.
3. Other provisions not contradicting the legislation might be also included into the leasing contract.
4. When concluding the leasing contract the following requirements should be fulfilled:
  - with the objective of letting the property on lease the leasing enterprise should purchase said property which must correspond to the leaseholder's requirements;
  - the property which is the object of leasing contract should be used in conformity with provisions of this contract;
  - ultimate term of leasing contract should not exceed service life of the property specified in technical documents;
  - leasing payment must allow the leasing enterprise to reimburse its expenditures on the property given on lease and to obtain profits.
5. Leasing contract might envisage, after the expiration of its term, possibility of transition of the property into the ownership of the leaseholder, in accordance with its depreciated cost.

#### Article 6. Object of leasing contract

Buildings of productive character, machines, mechanisms, equipment, transport means and other property might be the objects of leasing contract.

#### Article 7. Subjects of leasing contract

The following are the subjects of leasing contract:

- legal entities and physical persons selling their property to the leasing enterprise;
- leasing enterprises giving to the customer on lease the property purchased by them;
- legal entities and physical persons taking property on lease.

#### Article 8. Enterprises, implementing leasing activity

1. Financial-credit organisations and specialised leasing enterprises established by legal entities and physical persons (including foreign legal entities and physical persons) might carry out leasing activity in the Azerbaijan Republic.
2. Respective state bodies give special licenses to the enterprises implementing leasing activity in accordance with existing legislation of the Azerbaijan Republic.
3. Establishment and activity of specialised leasing enterprises shall be governed by the legislation of the Azerbaijan Republic concerning the enterprises.

#### Chapter IV. Rights and obligations of the subjects of leasing contract

##### Article 9. Rights and obligations of the leaseholder

1. During the contractual term the leaseholder has the right to own and to use the property under the contract. On consent of the leasing enterprise the leaseholder might transfer said right to the third party if not specified otherwise in the contract.
2. In case of bankruptcy of leasing enterprise before the expiration of contractual term the property remains at the leaseholder's disposal. After expiration of contractual term relations in connection with said property are determined by provisions of the Law of the Azerbaijan Republic "About insolvency and bankruptcy".
3. Whenever economic sanctions are applied to the leasing enterprise the rights and obligations of the leaseholder remain valid till the end of contractual term.
4. In case of improvement of the property, on consent of the leasing enterprise, if said property is returned to the leasing enterprise due to expiration of contractual term or violation of the contract, then the leaseholder shall have the right to demand reimbursement of all expenditures in connection with said improvement if not specified otherwise in the Law or in the contract.
5. In case if the leaseholder improved the property without consent of the leasing enterprise and said property was not damaged and if such improvements can be separated from the property without damages thereto, whenever the leasing enterprise does not give consent on payment of cost of said improvements then the leaseholder, in the process of return of the property, might take away said improvements.
6. According to provisions of the contract, the leaseholder is obliged to provide the safety of the property and due use thereof.
7. Current expenses in connection with use of the property during the contractual term shall be paid by the leaseholder if not specified otherwise by the contract.
8. In case of bankruptcy of the leaseholder the property being the object of leasing contract shall be returned to the leasing enterprise.  
Further relations between the leaseholder and the leasing enterprise shall be governed by the Law of the Azerbaijan Republic "About insolvency and bankruptcy".
9. If on acceptance of the property some fault is found, the leaseholder must register this fact in the acceptance protocol and to inform the leasing enterprise about said fault for further notification of legal entities and physical persons

selling said property.

10. The leaseholder must notify the leasing enterprise about guarantee specified in the leasing contract, about its financial situation during the contractual term, and, whenever necessary, to present accounting and other reports.
11. The leaseholder must fulfil all obligations undertaken under the leasing contract.
12. The leaseholder has the right to appeal against actions of legal entities and physical persons violating its rights and legal interests in accordance with existing legislation.

Article 10. Rights and obligations of the leasing enterprise

1. The leasing enterprise has the right of control over the safety of property given on lease to the leaseholder and due use of said property.
2. The leasing enterprise has no right to transfer right of ownership on property which is the object of leasing contract to other legal entities and physical persons during the contractual term.
3. In case if improvements of the property under the leasing contract made without consent of the leasing enterprise cannot be separated from the property without damages thereto, then expenditures on said improvements will not be reimbursed by the leasing enterprise.
4. Before giving the property on lease the leasing enterprise must insure this property for at least contractual term.
5. In cases of non-payment and delayed leasing payment the leasing enterprise might demand from the leaseholder to pay penalty or annul the contract.
6. The leasing enterprise might appeal against actions of legal entities and physical persons violating its rights and legal interests in accordance with existing legislation.

Article 11. Rights and obligations of the property seller

1. The seller of the property has the right to demand from the leasing enterprise to pay the cost of the property sold by the seller in an order and in term envisaged in the contract.
2. The property being the object of leasing contract should be given on lease to leaseholder in accordance with technical documents (quality, completeness) within the term specified in the contract.
3. Any defects of the property which appeared not through the leaseholder's fault should be removed by the property seller at his (its) own expense.

Article 12. Leasing privileges

Privileges might be applied as regards the enterprises carrying out leasing activity in the Azerbaijan Republic in an established order.

Chapter V. Termination of the leasing contract

Article 13. Reasons for termination of the leasing contract

Leasing contract is terminated in the following cases:

- on termination of contractual term;
- on liquidation of the enterprise-leaseholder;
- whenever there is mutual consent between the leaseholder and leasing enterprise;
- based on decision of the law court or court of arbitration;

- if the property is destroyed as a result of force-majeure circumstances;
- in other cases envisaged by legislation and the contract.

Article 14. Results of termination of the contract

1. In case if right of redemption of the property by the leaseholder after the expiration of contractual term is not envisaged, or if the leaseholder is not willing to use this right the property shall be returned to leasing enterprise.
2. On cancellation of leasing contract through the fault of the leaseholder the leaseholder, alongside with return of the property to the owner shall also return his (its) losses.

Article 15. Procedure of settlement of disputes

All disputes arising in the course of conclusion, implementation and termination of contracts shall be solved in accordance with legislation of the Azerbaijan Republic.

Article 16. Legal responsibility

Legal entities and physical persons guilty of violation of the present Law shall bear responsibility in accordance with legislation of the Azerbaijan Republic.

President of the Azerbaijan Republic  
Heydar ALIYEV  
Baku, 29 November, 1994

Decree of Milli Medjlis of the Azerbaijan Republic

About coming into effect of the Law of the Azerbaijan Republic

□ About leasing activity□

Milli Medjlis of the Azerbaijan Republic takes decision as follows:

1. The Law of the Azerbaijan Republic comes into effect from the date of its signing.
2. To authorise the Cabinet of Ministers of the Azerbaijan Republic to bring respective legislative acts of the Azerbaijan Republic into accord with the present Law □ About leasing activity□ and to take necessary acts for implementation of this Law.

Chairman of Supreme Council of the Azerbaijan Republic  
R. Guliyev  
Baku, 29 November 1994  
No 930