

## Azerbaijan

### Law on Investment Activity (2022)

#### Note

The Investment Laws Navigator is based upon sources believed to be accurate and reliable and is intended to be up-to-date at the time it was generated. It is made available with the understanding that UNCTAD is not engaged in rendering legal or other professional services. To confirm that the information has not been affected or changed by recent developments, traditional legal research techniques should be used, including checking primary sources where appropriate. While every effort is made to ensure the accuracy and completeness of its content, UNCTAD assumes no responsibility for eventual errors or omissions in the data.

The year indicated in brackets after the title of the law refers to the year of publication in the Official Gazette or, when this is not available, the year of adoption of the law.

# Contents

- About investment activity
- Chapter 1 - General Provisions
- Chapter 2 - Rights and duties of investors
- Chapter 3 - State guarantees for investment activity
- Chapter 4 - Final conclusions

## About investment activity

This Law defines the legal and economic bases of investment activity in the Republic of Azerbaijan, in accordance with the 1st, 10th, 11th, 13th and 26th clauses of Article 94, Part I of the Constitution of the Republic of Azerbaijan, and the rights and legal interests of investors. provides protection.

## Chapter 1 - General Provisions

### Article 1. Concepts used in this Law

- 1.1. The main terms used in this Law have the following meanings:
  - 1.1.1. investment activity - a set of actions of investors related to investment in the territory of the Republic of Azerbaijan;
  - 1.1.2. investment - money, securities, other property, including property rights and other rights with monetary value, invested in objects of entrepreneurial activity for the purpose of obtaining income;
  - 1.1.3. investor - a local and foreign investor carrying out investment activities in the territory of the Republic of Azerbaijan;
  - 1.1.4. local investor - a citizen of the Republic of Azerbaijan and a legal entity of the Republic of Azerbaijan carrying out investment activities;
  - 1.1.5. foreign investor - foreigners carrying out investment activities, stateless persons, foreign legal entities and their branches and representative offices, international organizations, as well as a foreign state;
  - 1.1.6. investment project – a set of measures that condition the investment and its implementation for the implementation of investment activity.
- 1.2. Other concepts used in this Law express the meanings defined by the normative legal acts of the Republic of Azerbaijan.

### Article 2. Legislation in the field of investment activity

The legislation of the Republic of Azerbaijan in the field of investment activities consists of the Constitution of the Republic of Azerbaijan, international agreements to which the Republic of Azerbaijan is a party, this Law and other normative legal acts

### Article 3. Scope of application of this Law

- 3.1. This Law applies to investment activities carried out by local and foreign investors in the territory of the Republic of Azerbaijan.
- 3.2. Considering Article 9 of this Law, investment is the exclusive right of the investor and is protected by law.
- 3.3. Investment activity in the tool free economic zone is regulated in accordance with the requirements of the Law of the Republic of Azerbaijan "On tool free economic zone".
- 3.4. The investment activities carried out by state institutions are regulated in accordance with the rules approved by the body (institution) determined by the relevant executive authority, taking into account the requirements of this Law.

### Article 4. Basic principles of state regulation in the field of investment activity

- 4.1. State regulation in the field of investment activities is carried out on the basis of the following principles:
  - 4.1.1. inviolability of ownership;
  - 4.1.2. legalism;
  - 4.1.3. protection and provision of human and civil rights and freedoms;
  - 4.1.4. protection of confidential information.

### Article 5. The purpose and main directions of state policy in the field of investment activity

- 5.1. The main goal of the state policy in the field of investment activity is to ensure sustainable economic development at the expense of local and foreign investments, to develop competitive production and service areas. and to apply new technologies and innovations in the economy.

5.2. The main directions of the state policy in the field of investment activity are as follows:

- 5.2.1. formation of favorable investment environment, including strengthening of free competition environment;
- 5.2.2. protection of investors' rights and legal interests, as well as investments;
- 5.2.3. creating equal opportunities for investors during investment activities;
- 5.2.4. ensuring the stability of investment activity conditions;
- 5.2.5. privatization, restructuring and rehabilitation of state property;
- 5.2.6. supporting investment projects in priority areas of the economy;
- 5.2.7. digitalization of services provided to investors related to the implementation of investment activities and providing them on the basis of the "one-stop shop" principle.

#### **Article 6. Promotion of investment activity**

6.1. The state implements the following measures to promote investment activity:

- 6.1.1. determination of concessions on tax and other state payments;
- 6.1.2. providing loans on preferential terms;
- 6.1.3. establishment of special economic zones, industrial parks and other regime zones;
- 6.1.4. expansion of the public-private partnership mechanism;
- 6.1.5. providing local and foreign investors with advice and information through online platforms about the investment potential of the Republic of Azerbaijan, as well as normative legal acts of the Republic of Azerbaijan regulating investment activities, investment projects and potential partners, organizing relevant events in this field;
- 6.1.6. other measures aimed at promoting investment activity.

#### **Article 7. Priorities in the field of investment activity**

7.1. In the field of investment activities, priority is given to the investment promotion measures provided for in Article 6 of this Law for the following investment projects:

- 7.1.1. investment projects that increase the technological capacity of the economy, are aimed at the application and development of innovations;
- 7.1.2. investment projects based on the application of environmentally friendly technologies, envisaging the improvement of the environment, efficient use of natural resources;
- 7.1.3. investment projects that support the development of a healthy lifestyle of the population;
- 7.1.4. investment projects aimed at the development of social infrastructure and various sectors of the economy;
- 7.1.5. investment projects that require the formation of knowledge and skills in accordance with modern requirements;
- 7.1.6. investment projects supporting the development of regions.

#### **Article 8. Forms of implementation of investment activity**

8.1. Investment activity can be carried out in the following forms:

- 8.1.1. creation and reorganization of legal entities;
- 8.1.2. acquisition of participation shares (shares) in legal entities;
- 8.1.3. organization of a branch and representative office of a foreign legal entity in the Republic of Azerbaijan;
- 8.1.4. individual entrepreneurship;
- 8.1.5. concluding an agreement on the implementation of investment activities;
- 8.1.6. acquisition of property, including property rights and other rights with monetary value;
- 8.1.7. other forms not prohibited in the normative legal acts provided for in Article 2 of this Law.

#### **Article 9. Features of investment activity**

In the field of investment activity, taking into account the requirements of the legislation provided for in Article 2 of this Law, investment in all objects of entrepreneurial activity is allowed.

## **Chapter 2 - Rights and duties of investors**

#### **Article 10. Rights of investors**

10.1. Investors have the following rights:

- 10.1.1. freely determine the form of implementation of investment activity, the volume of investment, the field and form of entrepreneurial activity;
- 10.1.2. to freely determine sources of financing of investment activity that are not prohibited by law;
- 10.1.3. suspend or terminate the investment activity at any time, taking into account the requirements of this Law and the terms of the agreement on the implementation of the investment activity;
- 10.1.4. to have income from investment activities, goods produced, work performed and services provided, property, including property rights and other rights with monetary value;
- 10.1.5. reinvest the income from investment activity;
- 10.1.6. in relation to foreign investors, in accordance with Article 14 of this Law, after paying taxes and other state payments of income and other funds obtained from investment activities, in free currency in accordance with the requirements of the Law of the Republic of Azerbaijan "On Currency Regulation"

and the agreement on the implementation of investment activities, or transfer to a foreign country in another form;

10.1.7. participate in the privatization of state property;

10.1.8. to obtain information from state bodies (institutions), local self-government bodies, which are necessary for the implementation of investment activities and the disclosure of which is not prohibited by law;

10.1.9. to exercise other rights stipulated in this Law and the agreement on the implementation of investment activities.

#### **Article 11. Duties of investors**

11.1. The duties of investors are as follows:

11.1.1. to carry out the types of activities for which a license or permit is required in accordance with the Law of the Republic of Azerbaijan "On Licenses and Permits";

11.1.2. to pay statutory taxes and other government fees in accordance with the laws in force at the time of the transactions;

11.1.3. to protect the life and health of the population, the environment, historical and cultural monuments, to comply with mandatory requirements in the field of urban planning and construction, labor legislation, technical safety, safety of goods (works, services), fire and radiation safety, as well as state security;

11.1.4. not to allow unfair competition, as well as not to damage the rights and interests of other persons protected by law;

11.1.5. to comply with other duties stipulated in this Law and the agreement on the implementation of investment activities.

11.2. It is forbidden to impose duties on investors that are not provided for by the laws of the Republic of Azerbaijan.

## **Chapter 3 - State guarantees for investment activity**

#### **Article 12. Regime applicable to investors and their investments**

12.1. The state guarantees the protection of the rights and freedoms of investors provided by this Law, and prohibits unreasonable and discriminatory treatment, intimidation, harassment and violence against investors and their investments.

12.2. Taking into account Article 9 of this Law, foreign investors and their investments in similar situations are subject to a regime (national regime) no less favorable than the regime applied to domestic investors and their investments.

12.3. Taking into account Article 9 of this Law, in similar situations, a regime (the most favorable regime) that is not less favorable than the regime applied to other foreign investors and their investments is applied to a foreign investor and his investment.

12.4. The application of the regimes provided for in Articles 12.2 and 12.3 of this Law shall be carried out in the field of protection of the life and health of people, the environment, public order, as well as the protection of the state's security and economic interests in the event of an important threat, provided that no discrimination is allowed and no prejudice is applied. does not affect the application of laws.

#### **Article 13. Guarantee against nationalization and acquisition of investment by the state**

13.1. With the exception of acquisition of investment for state needs, as well as requisition provided for by Article 209 of the Civil Code of the Republic of Azerbaijan, acquisition and nationalization of investment and investment in the territory of the Republic of Azerbaijan is not allowed without the consent of the investor.

13.2. No discrimination is allowed during the nationalization of the investment and acquisition by the state.

13.3. In exchange for nationalization and acquisition of investment by the state, compensation is paid to investors in accordance with the Law of the Republic of Azerbaijan "On Acquisition of Land for State Needs" taking into account Article 13.4 of this Law.

13.4. The compensation to be paid in accordance with Article 13.3 of this Law shall be determined according to the fair market value of the investment at the immediately preceding time after the nationalization or acquisition by the state of the investment or their public knowledge (whichever occurs sooner) and shall be paid without delay in the freely convertible currency for foreign investment, and for local investment, it is paid in the currency of the investment.

#### **Article 14. Guarantees on the transfer of investment income**

14.1. With the exception of the cases provided for in Article 14.3 of this Law, investment income is guaranteed to be freely transferred abroad from the Republic of Azerbaijan in free currency in accordance with the Law of the Republic of Azerbaijan "On Currency Regulation".

14.2. Amounts freely transferred abroad in accordance with Article 14.1 of this Law include:

14.2.1. profits, dividends, interest, royalties and other income;

14.2.2. profit resulting from the full or partial sale or other alienation of the investment, or the full or

partial termination of the investment activity;

14.2.3. amounts for compensation and damages;

14.2.4. the earnings of migrant workers in connection with the investment;

14.2.5. other payments not prohibited by this Law. 14.3. Transfers are the protection of creditors' rights in the field of bankruptcy and bankruptcy, the fight against the legalization of funds or other property obtained through crime and the financing of terrorism, arising from criminal or administrative responsibility, payment of taxes and other state payments, and enforcement of court decisions. may be postponed or limited without discrimination and prejudice in accordance with its requirements.

#### **Article 15. Settlement of disputes**

15.1. Disputes related to investment activities between state bodies (institutions) and local self-government bodies and investors may be resolved through negotiations, administratively, by other out-of-court methods on the basis of mutual agreement of the parties, or through the courts of the Republic of Azerbaijan, taking into account the Law of the Republic of Azerbaijan "On Mediation".

15.2. In the absence of any other agreement between the parties, as well as after the exhaustion of the legal remedies provided for in the Civil Procedure Code of the Republic of Azerbaijan, the foreign investor may submit the dispute related to the investment activity between the Republic of Azerbaijan and the foreign investor to international arbitration.

15.3. If the bilateral international agreements on the promotion and mutual protection of investments signed between the Republic of Azerbaijan and foreign countries stipulate different rules for the settlement of disputes than those specified in this article, the rules established by the international agreement shall be applied.

15.4. Decisions of international arbitration on disputes related to investment activity are recognized and executed in accordance with the international agreements to which the Republic of Azerbaijan is a party and the Code of Civil Procedure of the Republic of Azerbaijan.

#### **Article 16. Reimbursement of damages to investors**

16.1. As a result of the illegal decisions (administrative acts) and actions (inaction) of state bodies (institutions) and local self-government bodies, their officials, compensation for the damage to investors, including lost profits, shall be paid by the Republic of Azerbaijan or the relevant local self-government body.

16.2. Disputes regarding the compensation of damages to the investor are resolved in accordance with Articles 15.1 and 15.2 of this Law.

#### **Article 17. Conditions for suspension or termination of investment activity**

17.1. Investment activity is terminated by the investor's own decision or in accordance with the laws of the Republic of Azerbaijan, as well as the terms of the agreement on the implementation of investment activity.

17.2. The investment activity is terminated by the decision of the investor himself or the court, as well as in accordance with the terms of the agreement on the implementation of the investment activity.

17.3. Disputes related to the suspension or termination of investment activities are resolved in accordance with Articles 15.1 and 15.2 of this Law.

## **Chapter 4 - Final conclusions**

#### **Article 18. Entry into force of this Law**

18.1. From the day this Law entered into force, "On the Protection of Foreign Investment" (Report of the Supreme Soviet of the Republic of Azerbaijan, 1992, No. 4, Article 81, No. 7, Article 171; Legislative Collection of the Republic of Azerbaijan, 1997, No. 3, Article 226; 2001, No. 6, Article 360, No. 11, Article 683, No. 12, Article 736; 2003, No. 1, Articles 1, 3; 2005, No. 8, Article 684; 2007, No. 5, Article 401, No. 10, Article 938, No. 11, Article 1053; 2010, No. 4, Article 276; 2019, No. 1, Article 26) and "On Investment Activity" (Information of the Supreme Council of the Republic of Azerbaijan, 1995, No. 17-18, Article 275; Legislative Collection of the Republic of Azerbaijan, 2001, No. 6, Article 360, No. 11, Article 683, No. 12, Article 736; 2002, No. 5, Article 241, No. 12, Article 709; 2003, No. 1, Article 1; 2004, No. 4, Article 202; 2007, No. 10, Article 938; 2019, No. 1, Article 27, No. 6, Article 993) laws of the Republic of Azerbaijan are repealed.

18.2. When the laws of the Republic of Azerbaijan "On protection of foreign investment" and "On investment activity" are in force, the more favorable conditions provided for investors based on those laws remain in force for a period of 10 (ten) years.

#### **Article 19. Liability for violation of this Law**

Persons are responsible for violation of the requirements of this Law in the cases stipulated in the Civil Code of the Republic of Azerbaijan, the Code of Administrative Offenses of the Republic of Azerbaijan and the Criminal Code of the Republic of Azerbaijan.