



Export and Investment Promotion Agency
of the Republic of Azerbaijan

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Azerbaijan Investment Guide

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Why to Invest in Azerbaijan?

Robust and continuously growing economy



Center of the international transport corridor between Europe and Asia



Favorable climatic conditions, that create significant potential in agriculture and renewable energy sectors



Highly educated and skilled workforce



Liberal Investment Climate and Broad Opportunities



Introduction to the Republic of Azerbaijan



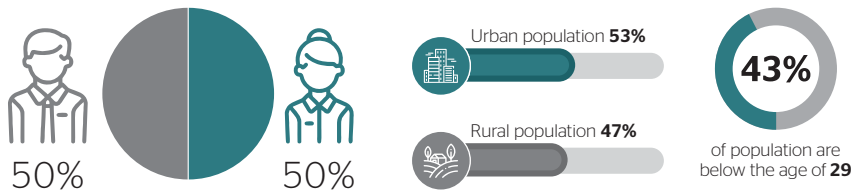
Location, Area and Topography

Sharing borders with Türkiye, Georgia, Russia, Iran and Armenia, as well as maritime border with Kazakhstan and Turkmenistan, Azerbaijan has strategic geographical location bridging East with West, North with South.

Population



The population of Azerbaijan is more than **10 million**.



According to the United Nations Development Programme (UNDP), Human Development Index is 0.745 in Azerbaijan. Among four groups ("Very high", "high", "medium", "low"), Azerbaijan is placed in the second group - "High human development". The mentioned index is calculated based on 3 indicators:



Literacy rate in Azerbaijan is at the level of 99.8%. Raising the quality of higher education has allowed Azerbaijan to have more university graduates. 46% growth has been observed in the number of students during last decade (2013-2022).



Currency

Since 1 January 1994, Manat has been the National currency and the only payment facility in the country.



Internet Penetration: 88%



Utility Prices for Businesses

Gas
200-250 AZN
(118-147\$)
/ thousand m³

Electricity
0.10 - 0.11 AZN
(0.06-0.07\$)
/ kilowatts

Water
1.0 AZN
(0.6\$)
/ m³



Government

According to the Constitution of the Republic of Azerbaijan, the government of Azerbaijan is based on the separation of powers among the legislative, executive and judicial branches. In Azerbaijan, the body exercising legislative power is the Milli Majlis (Parliament), the executive power is represented by the President, the body exercising the judicial power - the courts of the Republic of Azerbaijan. The mediation process is applicable in all kinds of issues related to civil, commercial, family, administrative and labour law.

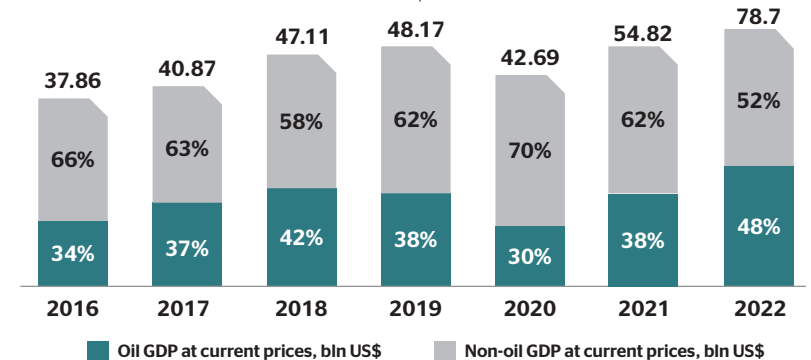


Economic Overview

Serious measures have been already taken to create and improve a favorable business environment and develop the non-oil sector. Besides that, immense increase has been observed in oil-gas sector too. Thus, there are plans to annually export 20 billion cubic meters of gas to the EU by 2027, signifying a doubling of gas exports from Azerbaijan to Europe. That fact contributed to the country becoming a reliable partner of European Union in gas export.

The economy of Azerbaijan has been growing steadily since 2016. GDP at current prices rose from 54.6 billion USD to 78.7 billion USD. This is a 44% increase in nominal growth compared to 2021. GDP per capitain 2022 was 7,797.8 USD.

* All US dollars values are recalculated in the equivalent of 1:1.7 AZN

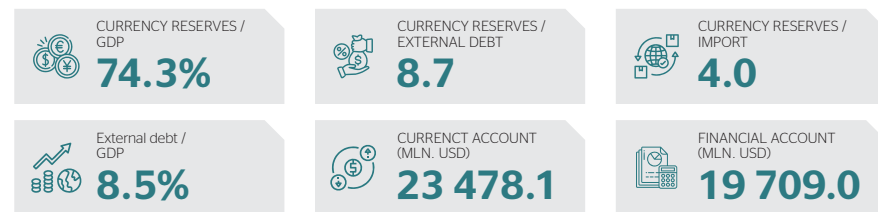


During the years 1995-2022 more than 322.8 billion US dollars were invested into the economy, out of which foreign investment amounted to 163.2 billion US dollars. The total amount of foreign investment into the non-oil sector during the same period was 63.0 billion US dollars, out of which total non-oil FDI reached 17.4 billion US dollars.



Currency Sustainability

Azerbaijan's strategic foreign exchange reserves are more than 58 billion USD. The ratios that indicate currency sustainability were mentioned below:

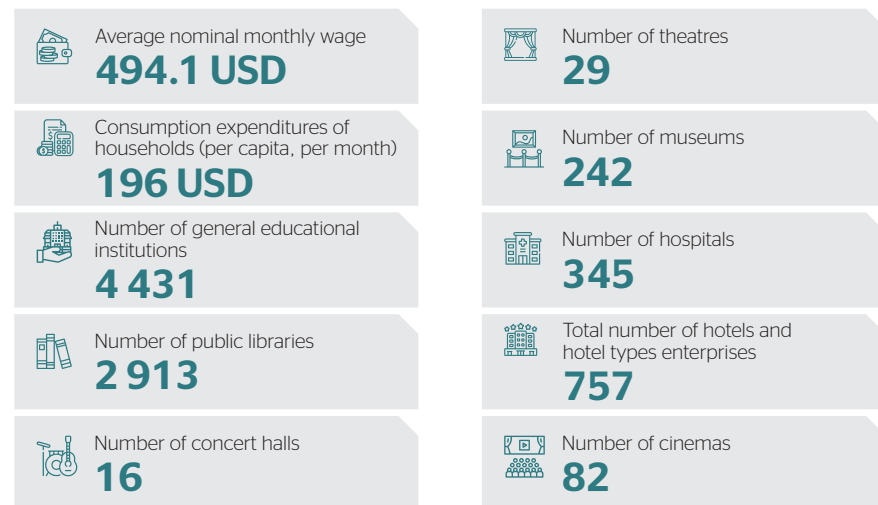


International Relations

Azerbaijan is a member/partner of a numerous international organizations and financial institutions, such as:



Lifestyle



Improved Investment Climate

No discrimination between foreign and domestic investors	No limits on the amount of foreign capital in companies	No restrictions on repatriation of profits
No prior authorization of foreign investment required	No foreign exchange restrictions	No technology transfer restrictions
No local counterpart requirement	Temporary residence allowed upon investments	Limited price control

Sustainable development index **73.5**

Azerbaijan reached 50th place out of 193 countries in "Sustainable development - 2022" report prepared by United Nations and published by Cambridge University. It is the highest index in the South Caucasus.

The following measures are carried out in order to stimulate investment activity:

- Various tax related benefits and other government payments
- Provision of loans on preferential terms
- Expansion of the mechanism of public-private partnership
- Other measures aimed to stimulate investment activity

Economic Indicators

According to the State Statistical Committee of the Republic of Azerbaijan, unemployment rate was 5,6% at 2022.

When it comes to economically active people, this portion of the population is 5.2 mln and it shows 16% increase during the last decade. Average salary is 488 USD, which is competitive at the CIS market.



Visa regime

Electronic visas can be obtained within 3 working days (standard e-visa) or even as fast as 3 hours (for urgent e-visa) before their arrival to the Republic of Azerbaijan.



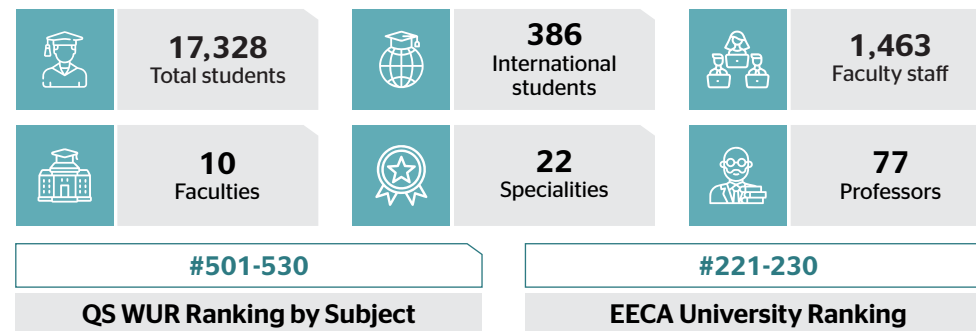
Partnership with Harvard Growth Lab

In accordance with the implementation of the "Socio-economic development strategy of the Republic of Azerbaijan in 2022-2026", the order "Regulation of organizational-administrative issues in the field of implementation of the research and education-training project in collaboration with Harvard University" was approved and an agreement was signed between Harvard University and the Ministry of Economy. Simultaneously, according to the agreement, a secretariat was formed and methodological frameworks have been formulated by Harvard University's international development center, known as the "GROWTH LAB". The development of the ongoing project is planned in the following directions:

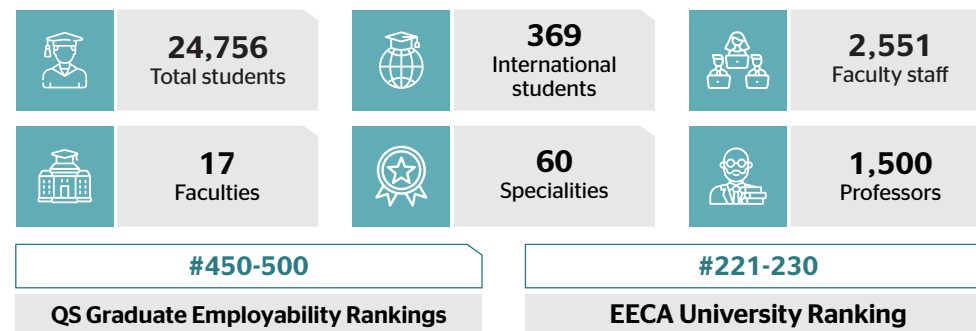
- Diversification of economy;
- Provision of a sustainable growth model ;
- Conducting fundamental and practically significant researches;
- Increment of the analytical capacities of governmental institutions
- Formulation of proposals which contribute to the economic policy.



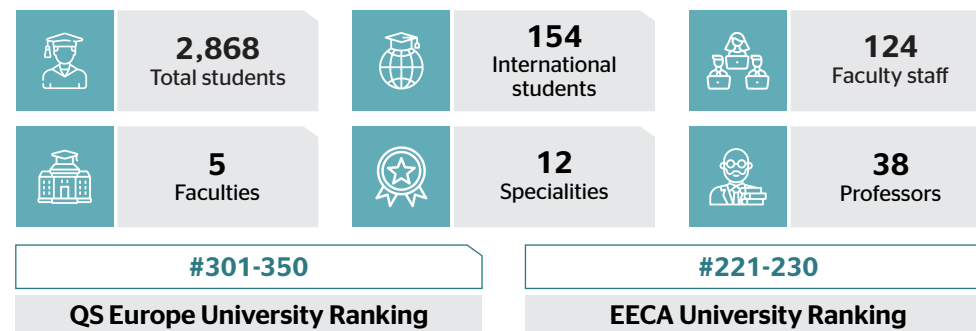
Azerbaijan State Economic University



Baku State University



ADA University





International events

The Eurovision Song Contest 2012 was the 57th edition of contest. It was the first time Azerbaijan hosted the contest - only four years after the country made its debut.

2012



Azerbaijan made a progress in sport when holding **FIFA U-17 Women's World Cup**. It was for the first time for Azerbaijan holding a football competition of this scale.

2012



The 2015 **European Games** were held in Baku, from 12 to 28 June 2015. In total, 5,898 athletes attended from 50 National Olympic Committees (NOCs).

2015



It has been already 7 years that Azerbaijan is a host to the **Formula 1 Grand Prix** since 2016. It will remain on the calendar at least until 2026.

2016



The next another major event Games that welcomed 180 teams from 175 countries was 42nd **World Chess Olympiad** in September, 2016. This was a first Chess event that took place in the country.

2016



The Islamic Solidarity Games took place on 12-22 May 2017. Athletes from over 50 participating countries had the opportunity to take part in 10 days of competition.

2017



The next event took place in July 2019. Baku hosted 15th edition of the **European Youth Olympic Festival** that brought together more than 3000 young athletes.

2019



UEFA Europe League Final in 2019 in Olympic stadium - the venue that hosted European and Islamic Solidarity Games. The stadium also hosted 4 UEFA Euro 2020 games.

2019



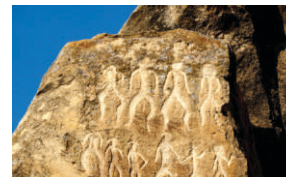
Baku is also the only city in Europe that hosted four editions of **European Rhythmic Gymnastics** in 2007, 2009, 2014 and 2023.

2023



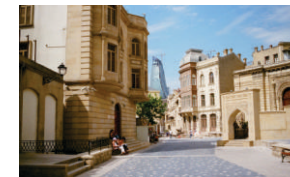
Rich culture and heritage

The culture of Azerbaijan combines a diverse and heterogeneous set of elements developed under the influence of Turkic, Iranian, and Caucasian cultures. Azerbaijani culture includes its distinct cuisine, literature, art and music. Azerbaijani heritage elements which are inscribed on the heritage list of UNESCO.



Gobustan Rock Art

Cultural Landscape covers a plateau of rocky boulders with an outstanding collection of more than 6,000 rock engravings bearing testimony to 40,000 years of rock art. The site covers an area of 537 ha.



Icheri Sheher

inhabited since the Palaeolithic period, the Walled City of Baku reveals evidence of Zoroastrian, Sasanian, Arabic, Persian, Shirvani, Ottoman, and Russian presence in cultural continuity. The site has preserved much of its 12th-century walls.



The historic city of Sheki is located at the foot of the Greater Caucasus Mountains. **The Khan Palace**, in the northeast of the city, and merchant houses reflect the wealth generated by silkworm breeding and the trade in silk cocoons from the late 18th to the 19th centuries.



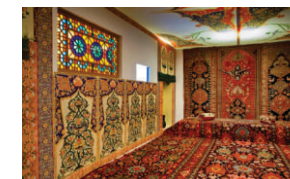
Copper craftsmanship of Lahij

is the traditional practice of making copperware concentrated in the Lahij community in the Caucasus. The coppersmith-hammerer pumps the air into the ovens and hammers the smelted copper into plates.



The Azerbaijani Mugham

is a traditional musical form, characterized by improvisation. The Mugham, though a classical art, draws upon popular bard melodies, rhythms and performance techniques and is performed throughout the country.









The Azerbaijani carpet

is a traditional handmade textile of various sizes, with dense texture and a pile or pile-less surface, whose patterns are characteristic of Azerbaijan's many carpet-making regions.



One of the top priorities of the Azerbaijani Government is to diversify the country's economy and attract FDI in non-hydrocarbon sectors, such as agriculture, logistics, information/communication technology and tourism. So, "Invest in Azerbaijan" is opportunity that gives you chance to value business environment in Azerbaijan. It provides you with support mechanisms and assist to connect with proper resources, strategic location and skilled labor force.

Get more details on below topics via our website

<p>General economic situation</p> <p>The current outlook for the Republic of Azerbaijan's economy-GDP, GDP growth, non-oil GDP, budget etc.</p> 	<p>Investment projects</p> <p>Detailed information about certain investment projects in Azerbaijan.</p> 
<p>Top reasons to invest</p> <p>"FDI in Azerbaijan", "Large domestic and regional markets", "Favorable demographics" etc.</p> 	<p>Success stories and testimonials</p> <p>Successful experience of global brands in Azerbaijan.</p> 
<p>Legal and tax guide</p> <p>Data about taxes which is subject to investors and how investment activities is governed legally.</p> 	<p>Living in Azerbaijan</p> <p>Brief information about Azerbaijan's strategic location, people, distinctive traditions and environment.</p> 
<p>Industrial parks and districts</p> <p>The list of industrial parks with a well-developed infrastructure.</p> 	<p>Incentives</p> <p>Various exemptions and incentives for investors.</p> 

"Azerbaijan 2030: National Priorities for Socio-Economic Development"


Main priorities:

- A steadily growing, competitive economy;
- A dynamic, inclusive society based on social justice;
- Areas of modern innovations and competitive human capital;
- The great return to the territories liberated from occupation;
- A clean environment and country of "green growth".

Areas liberated from occupation

In order to ensure the "Great return" to the territories liberated from occupation, along with the preparation of complex action plans, very important practical activities have already been started in this direction. Significant works are carried out in the direction of restoration of administrative management bodies and creation of transport, energy and communication infrastructure.

 Fuzuli and Zangilan international airports are already completed and another one in Lachin region is under construction process;

 Totally, 17 highways with a total length of 923.9 km were planned. 13 highways are under construction, 3 highways were inaugurated and 1 of them is on planning stage;

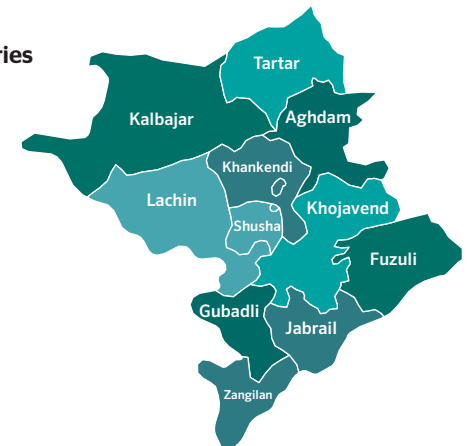
 "Smart city and smart village" concepts have already been implemented in Zangilan.

All these measures will allow for settlement, restoration and development activities to be carried out at full speed in the liberated territories. According to the measurements of the Ministry of Energy of the Republic of Azerbaijan, along with hydropower liberated territories has a potential of 7,200 MW of solar energy and 2,000 MW of wind energy.

Energy potential in the liberated territories

 **7200 MW**
Solar energy

 **2000 MW**
Wind energy









Government's support in the liberated territories

Along with the development of infrastructure, Azerbaijan is also strongly interested in economic development of Karabakh and Eastern Zangezur regions.

Certain priorities have been determined by the government of Azerbaijan regarding economic well-being in the liberated territories:

- Increasing investment attractiveness;
- Modern and efficient production;
- Creation of trade and service infrastructure;
- Application of innovative technologies;
- Development of optimal incentive mechanisms;
- Improving the business environment.

Mechanisms mentioned in the decree of the President of the Republic of Azerbaijan in regards to the acceleration of economic and social welfare in the liberated territories:

<p>Tax benefits, social insurance and other incentives for entrepreneurs engaged in processing industry and service infrastructure</p> 	<p>Customs benefits for entrepreneurs engaged in production activities related to the import of raw materials</p> 
<p>Concessions on utility services (electricity, natural gas and water consumption) for entrepreneurs engaged in production activities</p> 	<p>Determination of labor migration quotas and procedure improvement for work permits supporting investors who apply environmentally friendly technologies, create "green growth" and use renewable energy sources</p> 
<p>Additional support of investors who apply clean technologies, create "green growth" and use renewable energy sources</p> 	<p>Expansion of access to financial resources for entrepreneurs operating in the liberated territories</p> 

Priority sectors to be developed in the liberated territories:

 <p>Mining</p>	 <p>Transportation and Logistics service</p>
 <p>Agriculture, including traditional viticulture and wine production</p>	 <p>Industry</p>
 <p>Tourism</p>	 <p>Renewables</p>

Information on concessions and exemptions offered to the residents of the liberated territories



Exemptions offered to the residents of the liberated territories from January 1, 2023:

<p>Profit (income), property, land and the simplified tax</p> 	<p>Import of machinery, devices, raw materials and goods for relevant fields of economic activity, exemption from VAT</p> 
<p>Import of machinery, devices, raw materials and goods for relevant fields of economic activity, exemption from custom duty</p> 	<p>Dividend income of shareholders of legal entities tax; 20% discount for utility services</p> 



Reimbursement of VAT paid in non-cash and cash for overnight and stay services provided by consumers who are physical persons in hotels:

30% Non-cash payments

5% Cash payments



Supporting investors who apply environmentally friendly technologies, create "green growth" and use renewable energy sources.



Development of public-private sector partnership in the construction of housing estates.



Subsidization of the mandatory state social insurance fee:

2023 — 100% — 2026

2029 — 60% — 2031

2026 — 80% — 2029

2031 — 40% — 2033



Determining labor migration quota and issuing work permits:

<p>Non-application of the labor migration quota to foreign specialists</p> 	<p>Reduction of the application review period for issuing work permits to foreign specialists to 5 days</p> 
<p>Extension of the work permit period for those involved in labor activities no longer than 2 years</p> 	<p>Applying concessions on the amount of the state fee required for a work permit</p> 

Key Non-Oil and Gas Economic Sectors



Agriculture

Azerbaijan's largest employer, employing approximately 36% of the population, but accounting for only 4.8% of GDP.

Sown areas are above 1.6 million hectares, which is approximately 19% of the total territory of Azerbaijan.



Information and communication technologies


The IT market in Azerbaijan is continuously developing. Education and e-government programs have been launched, increased digital resources available to schools and universities outside Baku, and expanded e-services. ASAN service, as part of the State Agency for Public Services and Social Innovations under the President of the Republic of Azerbaijan provides public services, which makes it more easily accessible to the citizens using modern technologies. The government also established several technological parks throughout the country that offer tax breaks and exemptions for companies.



Renewables

The renewable energy sector in Azerbaijan has vast potential. Currently, foreign investors are engaged in the construction of 3 solar and wind power plants with a capacity of 710 megawatts in Azerbaijan. The total power generation capacity of Azerbaijan is 7954 MW and the capacity of the power plants on renewable energy sources, including large hydropower plants is 1312 MW, which is 16.5 % of the total capacity. An ambitious target of the country is to increase the share of the installed capacity to 30% of the country's overall energy balance by 2030. The technical potential of renewable energy is estimated at the level of 157 GW at offshore, and on the land equals to 135 GW, which includes:

 **3 GW**
of wind energy

 **23 GW**
of solar energy

 **0.4 GW**
of bioenergy

 **0.5 GW**
of hydropower

Currently, such large international companies as "ACWA Power", "Masdar" and "BP" are present in renewables sector on the Azerbaijani market.



Light industry

Is well developed in Azerbaijan and apart from many other directions, include weaving, sewing, and knitting, as well as fur-leather, skin-leather, textile and shoe production. Traditional and rich in patterns, carpet-making is also on the rise.



Chemical industry

Chemical industry is one of the main sectors of the Azerbaijani economy. The country's proximity to the raw materials of oil and gas, salt, iodine-bromide mine water, and the waste of ferrous metals, combined with access to large neighbor consumers, gives Azerbaijan a comparative advantage in this sector.



Food Processing

Accounts for around 32% (\$2.9 billion) of Azerbaijan's total processing industry, and covers a selection of more segmented industries. Azerbaijan possesses great potential in the development of halal food industry, as Islam is a dominant religion in the country.



Transport and logistics

Today, as trade flows increase between Europe and Asia, Azerbaijan is emerging as a transport and logistics hub at the crossroad of Eurasia, adjoining seaports on the Caspian Sea, as well as serving as an interconnection point for various transportation corridors. To meet rising opportunities, Azerbaijan is constantly developing its infrastructure. Hence, an immense transit and logistics potential exists, which could be further benefited from.



Tourism

The rich historical, cultural and natural heritage of the country attracts visitors from all over the world. Untouched nature, mineral springs, a unique ancient architecture, diverse culture, rich in flavors cuisine, its people known for hospitality, as well as other factors contribute to the formation of a highly attractive tourism destination and also for various purposes: business, sport, medical, hunting, beach and gastronomic. As a result, the tourist flow to the country was steadily growing.

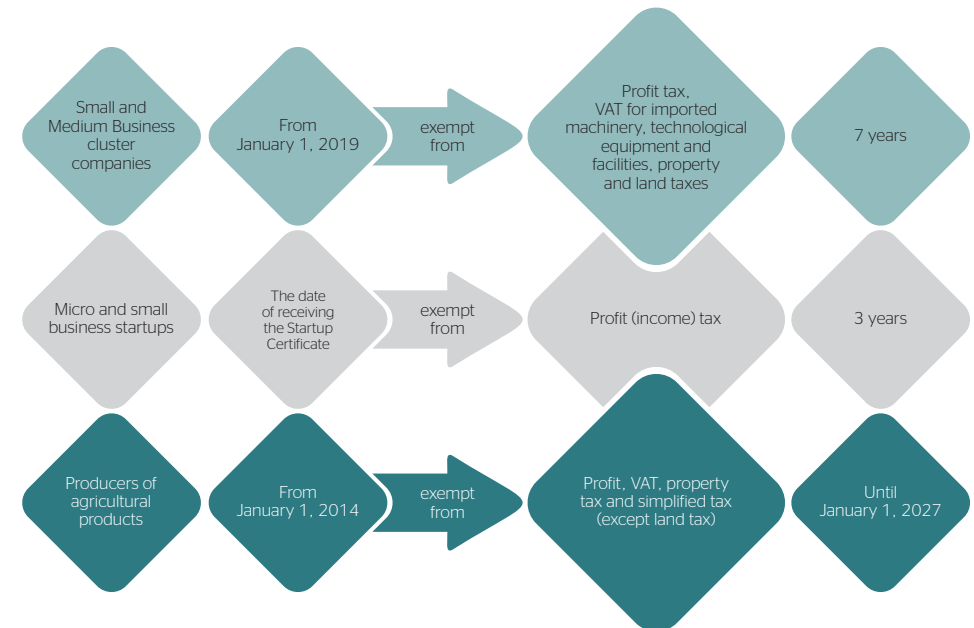
Export Activity and Priority Sectors

Since the export activity in Azerbaijan is primarily concentrated on raw materials and semi-finished products, the main priority is to develop full-cycle processing production in the fields such as: cotton, canning of fruits and vegetables, petrochemicals, aluminum and etc.

Under the "Export strategy of non-oil products and services of the Republic of Azerbaijan for 2024-2026", it is almost anticipated to double non-oil exports in the country (+80%) till 2026. This will cover both export of commodity and products, as well as the promotion of service export (such as IT and Tourism exports). Absence of export clearance fee, temporary storage and domestic processing mechanisms already support export activity in the country. For its further development, it is planned to implement reforms in all directions, which will include:

- Export promotion;
- Programs with sectoral potential;
- Production of high-quality export products;
- Increasing the efficiency of economic diplomacy;
- Creating an environment conducive to entrepreneurship development;
- Trade facilitation;
- National export branding;
- Creation of favorable conditions for e-export.

Activity Base Incentives for Entrepreneurs in Azerbaijan



Infrastructure and Possibilities

Road infrastructure in Azerbaijan is developing at high speed. Currently, around 20 thousand km of roads and highways have been built and restored.

- 8 new international airports, including in the liberated areas of Azerbaijan. One more is on the way;
- New Baku International Sea Trade Port - located south of the capital city of Baku at the intersection of major transport corridors;
- Alat Free Economic Zone - a multi-modal production export-oriented site in a prime strategic location offering a wide range of incentives and benefits;
- Baku-Tbilisi-Kars railroad ("The Iron Silkway") - an international rail link project connecting Azerbaijan, Georgia and Türkiye;
- Potential Zangazur corridor - connects the Lesser Caucasus and the Anatolian highlands.



- Baku-Tbilisi-Kars
- Potential Zangazur corridor

Azerbaijan's Trade Policy Overview

The evolution of the customs and tax environment directly contributes to the trade development. The resolution about exemption of 300 intermediate products' from import customs duties has stimulated the competitiveness of both exports and domestic goods in foreign markets.

Foreign trade in Azerbaijan is primarily governed by the Tax Code, Customs Code and the Law on Customs Tariffs. The following are the treaties and agreements to which Azerbaijan is a party:

Free and Preferential Trade Agreements

Numbers of countries that have signed the Free and Preferential Trade Agreements with Azerbaijan

11

Bilateral Investment Treaties

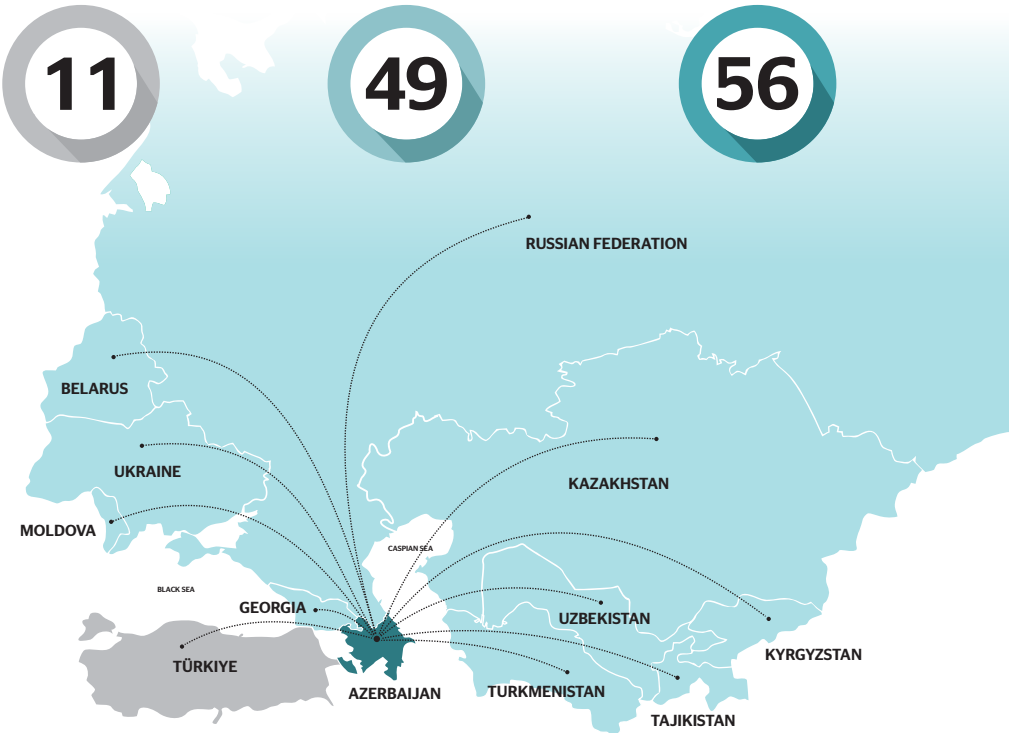
Numbers of countries that have signed the Bilateral Investment Treaties with Azerbaijan

49

Double Taxation Treaties

Numbers of countries that have signed the agreements on avoidance of double taxation with Azerbaijan

56



Free and Preferential Trade Agreements Map

- FTA countries
- PTA countries

Transit and Logistics Potential

Due to its unique location and despite being a landlocked country, Azerbaijan is a part of the numerous transport corridors:

- **South-West transport corridor**
(India, Persian Gulf, Iran, Azerbaijan, Georgia, Ukraine, Europe)
- **North-South transport corridor**
(India, Persian Gulf, Iran, Azerbaijan, Russia, Europe)
- **Trans-Caspian international transport route**
(China, Kazakhstan, Azerbaijan, Georgia, Türkiye, Ukraine, Europe)
- **Lapis-Lazuli transport corridor**
(Afghanistan, Turkmenistan, Azerbaijan, Georgia, Türkiye)

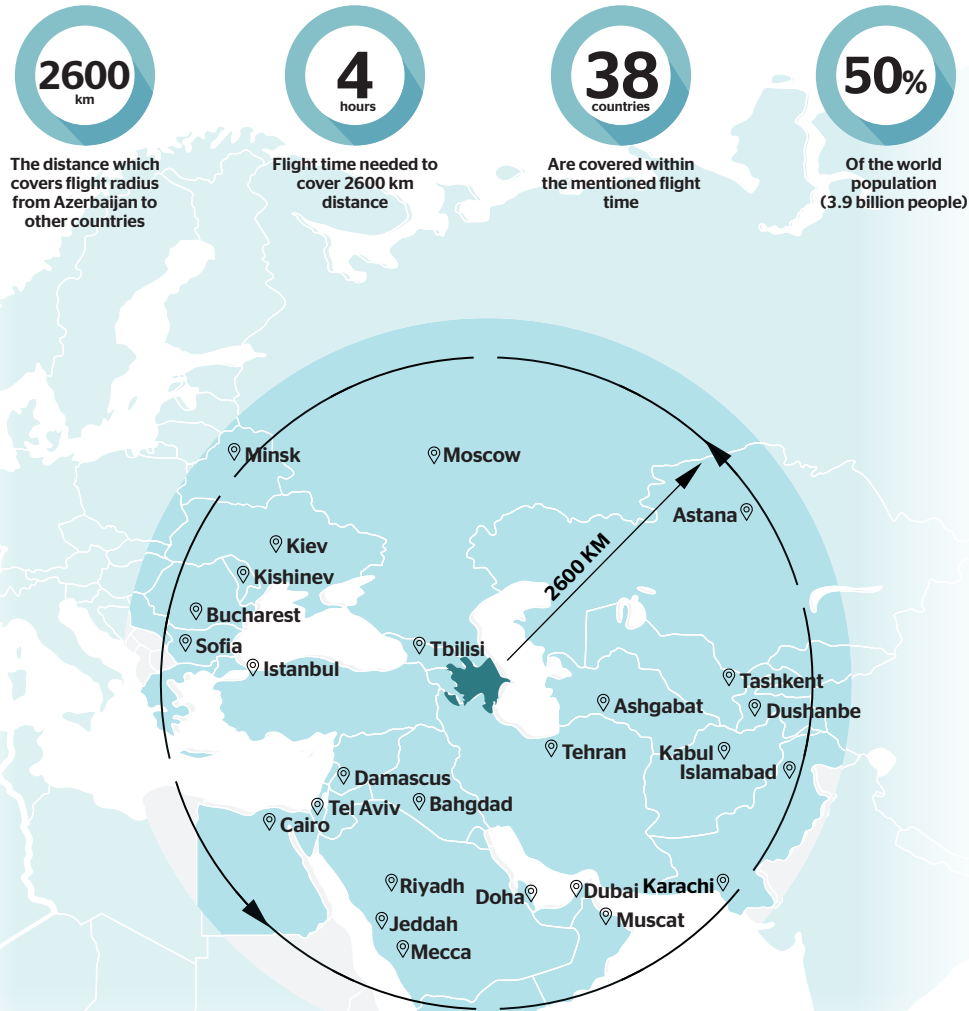
- **South-West transport corridor** reduces time loss for the goods transportation between Europe and India. Due to the created conditions, it is possible to transport cargo on the route for 15 days, overcoming the distance of more than 7000 kilometers, delivering goods from India to Europe. For the further development of the route, work has been done and continues to improve infrastructure, which will create a competitive transport product and attract large volumes of cargo to the transport corridor.
- **North-South transport corridor** is a 7,200-km-long multi-mode network of ship, rail, and road route for moving freight between India, Iran, Afghanistan, Azerbaijan, Russia, Central Asia and Europe. The objective of the corridor is to increase trade connectivity between major cities such as Mumbai, Moscow, Tehran, Baku, Bandar Abbas, Astrakhan, Bandar-e Anzali, etc.
- **Trans-Caspian international transport route** is the shortest transport route connecting Europe and Asia, which serves to increase freight traffic from China to Türkiye and the European countries, as well as in the reverse direction. The average transit time along the 5,400 km East-West transport corridor is 15 days. Baku-Tbilisi-Kars railway, called the "Iron Silk Road" allowed the corridor to reach Europe directly by land.
- **Lapis-Lazuli transport corridor** is an international transit route opened in 2018, linking Afghanistan to Türkiye via Turkmenistan, Azerbaijan and Georgia. The Lapis Lazuli corridor is funded by the Asian Development Bank.



Azerbaijan's Flight Radius

Azerbaijan's geographic location also gives it a great strategic importance as a transit hub. It is positioning itself as a logistics hub for East-West trade in the region through major infrastructure investments.

In order to consider the importance of location, the flight radius is an important index to describe the distance with minimum flight time.



Registration of Business in Azerbaijan



Since 2008 registration of legal entities is carried out in a simplified manner via the "single window" approach, according to which the registration can be fulfilled within 2 days and necessary work can also be executed through the electronic platforms.

There are various platforms for registration of a business in Azerbaijan, such as:

ASAN SERVICE

www.asan.gov.az

STATE TAX SERVICE

www.e-taxes.gov.az

SMB HOUSES

www.smb.gov.az

Licenses and Permits

The Law on "License and Permits" of the Republic of Azerbaijan defines the institutional, economic, and legal framework for the regulation of the licensing and permitting system in relation to business activity in Azerbaijan (except for the financial markets).

According to the Law, licenses and permits are issued separately for each type of activity, with the exception of the general license. To receive a license or permission, the applicant must apply to the issuing body.

Types of activities where licenses or permits are required:

Pharmaceuticals including veterinary related medicine

Toxic industrial waste

Education

Communication

Stock exchange and investment funds

Activities related to radioactive or hazardous products and facilities

Liquid and natural gas facilities

Activities on protection from fire

Insurance and credit institutions

Forms of Legal Entity



Commercial legal entity may be established in form of a partnership in which all partners are liable with their own assets for the debts of the partnership and limited liability company or joint stock companies where the obligations of the shareholders are limited to their share capital.

Limited liability companies (LLC) are mainly used as a form of legal entity in Azerbaijan. Since for LLC registration there is no stated minimum financial limit as to the amount of the charter capital as well as no need to have a local partner - LLCs may be wholly owned by foreign companies and individuals from any jurisdiction.

Forming an LLC is a fairly simple process that can be broken down into 2 stages: (a) Registration Stage; and; (b) post-registration period. The registration of business organizations is carried out by the State Tax Service (under the Ministry of Economy) within 2 days from the date of submission of the respective documents. Documents can also be submitted electronically.

Tax Regime



In order to make taxes related processes easier, Azerbaijan introduced an online system (www.e-taxes.gov.az) for registration of taxpayers, correspondence with the tax office, submission of related documents and declarations.

Main applicable taxes:

Corporate income tax	VAT	Property tax	Land tax is calculated depending on the region	Individual Income Tax in Azerbaijan is calculated differently, as shown below:
20%	18%	1%		

From 1 January 2019, month-to-month profits of personnel who're engaged in employment for non-oil-fuel and non-authorities sectors will be exempt for a 7 years.

Entity type	Taxable monthly income	Tax rate
(a) oil-gas and government sector	below 2,500 AZN (\$1,471)	14%
	above 2,500 AZN (\$1,471)	350 AZN (\$206) + 25% of amount exceeding 2,500 AZN (\$1,471)
(b) non-oil-fuel and non-authorities	below 8,000 AZN (\$4,706)	0%
	above 8,000 AZN (\$4,706)	14% of amount exceeding 8,000 AZN (\$4,706)

Social insurance payments for non-oil-fuel and non-authorities

Entity type	Withheld from employee	Withheld from employer
below 200 AZN (\$118)	3%	22%
above 200 AZN (\$118)	6 AZN (3.5\$) + 10% of amount exceeding 200 AZN (118\$)	44 AZN (3.5\$) + 15% of amount exceeding 200 AZN (118\$)

The implementation by business entities of tax and social obligations and the maintenance of accountability by a single state body, ensuring timely and complete collection of contributions for compulsory state social insurance, unemployment insurance and compulsory medical insurance, as well as other mandatory payments referred to the competence of the State Tax Service by law and act of the President of the Republic of Azerbaijan is one of the functions of the State Tax Service.

Customs Regime



The State Customs Committee (SCC) has increased business links with international customs agencies in recent years as part of its efforts to develop its operations in accordance with current needs.

The successful future of the Azerbaijani customs system is indicated by the mutually beneficial cooperation with international customs authorities. Since June 1992, the Republic of Azerbaijan's SCC is a part of the World Customs Organization.

Definition of a Foreign Investor



In accordance with the Law on "Investment Activity", dated 22 June 2022, the following entities and individuals carrying out investment activities are considered as foreign investors in Azerbaijan:

- Foreigners;
- Stateless persons;
- Foreign legal entities and their branches and representative offices;
- Foreign states;
- International organizations.

Under the same Law, investment activity in Azerbaijan can be carried out in the following forms:

- Formation and restructuring of legal entities;
- Acquisition of shares in legal entities;
- Setting up a foreign legal entity's branch and representative office in Azerbaijan;
- Other forms not prohibited by law;
- Individual entrepreneurship;
- Signing an investment activity agreement;
- Obtaining property, including rights of monetary value.

Investment Protection



"Investment Activity" law ensures the safeguarding of investors' rights, preventing discriminatory actions, intimidation, harassment, or violence against foreign investors.

The regulation of investment activity is carried out by the principles of property inviolability, the rule of law, protection, and provision of human and civil rights and freedoms, and protection of confidential information. The investor can transfer investment income to a foreign country after paying taxes and state fees in compliance with the Law on "Currency Regulation" and the investment contract. This business environment allows foreign investors to operate in accordance with global standards.

Competition Code of the Republic of Azerbaijan

Competition Code of the Republic of Azerbaijan, the adoption of which is now being considered by the Milli Majlis (National Assembly), is supposed to strengthen fair competition in the market. The Code, by covering the violators with sanctions, prohibits cartel agreements, concerted practices and decisions that impede fair competition.

Public Private Partnership



Azerbaijani government is intensely interested in the strengthening of cooperation between the state and the public sector. On August 31, President of Azerbaijan signed the order "On measures to attract private investment in state-owned enterprises of the Republic of Azerbaijan." This order notes that the purpose of these measures is to carry out institutional reforms in the public sector and attracting private investment by reducing the state share.

The current strategy is based on the legal framework of which rests on the Law No. 691-VIQ "On Public-Private Partnership (PPP) concept". This concept constitutes a long-term contract that provide private sector with relevant public infrastructure. During project execution, the state transfers state-provided services, property, or control mechanisms to the private sector. In addition, to coordinate work during flexible hours, a Project Management Office was created within the Ministry of Economy of the Republic of Azerbaijan, which is responsible for managing PPP and strategic projects.

Advantages for the investor:

- Long-term, repayable investment;
- Implementation of the project with the participation of the State;
- Possibility of obtaining additional guarantees;
- Sharing risks with the state;
- Expansion of private sector participation in economics and management.

Temporary Residence Permit (TRP)



According to the Azerbaijani Migration Code, foreign nationals and stateless people are granted a Temporary Residency Permit in the following instances (including, but not limited to): Investment in the country's economy of at least

500 thousand AZN (\$294 thousand). Opening a company/branch or representative office of a foreign legal entity. If a foreign person is a director or deputy director of a legal entity with at least one foreign founder, then

foreigner does not need to obtain a work permit and can immediately apply for a TRP. The same rule applies to the establishment of branches or representative offices of a foreign legal entity in Azerbaijan. TRP is issued by State Migration Service. There is a possibility of an online application. For TRP application a foreigner should be in Azerbaijan. The term for consideration of the TRP application is 15-20 working days. The state duty for 1-year TRP is 120 AZN (\$71) for consideration in 20 working days and 160 AZN (\$94) for consideration in 15.

- Ownership of real estate worth at least 100 thousand AZN (\$59 thousand) in the territory of the Republic of Azerbaijan. In such cases, the price of real estate in Azerbaijan is assessed by independent appraisal agencies, and the real price of the real estate contract is not considered by the authorities.
- Make a deposit of at least 100 thousand AZN (\$59 thousand) in a bank. It should be mentioned that if the deposit amount is less than 100 thousand AZN (\$59 thousand) after receiving a TRP, this will be a ground for the TRP to be revoked.



Single Window for FDI - AZPROMO



AZPROMO is both a trade promotion organization (TPO) and an investment promotion agency (IPA). It has existed since 2003 and possesses a solid experience and expertise in both directions.

AZPROMO acts as a "single window" for foreign investors - it collaborates with local industries, identifying priority areas for diversification in the economy, such as supporting green energy, agriculture, chemical industry and technology, with focus on attracting foreign direct investment (FDI) to these sectors. Active actions are taken to aim at retaining investments, providing aftercare services and promoting the investment image.

As a trade promotion organization AZPROMO coordinates Trade and Wine houses, which support the promotion of "Made in Azerbaijan" brand and export of Azerbaijani products. There is a wide network of trade and wine houses of Azerbaijan in different countries, which also simplifies coordination between entrepreneurs.

Economic Zones Development Agency (EZDA)

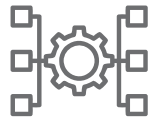
EZDA, under the Ministry of Economy is a managing body of economic zones, including industrial and agricultural parks, industrial districts for SMEs, mandated with investment promotion through favorable regimes, infrastructure, and incentives for investors.

EZDA manages 6 out of 7 industrial parks, 4 out of 5 industrial districts for SMEs, and 51 agricultural parks in Azerbaijan.

Benefits for residents of economic zones



Support for various governmental procedures via the "One-Stop Shop" system to facilitate investors' activity



Supply of modern and extensive infrastructure in economic zones by the principle of "Plug & Play"



Construction of modern infrastructure (subsidized by the state), which in turn enables entrepreneurs to focus more on investing in the project



Another significant part of governmental support for residents of industrial parks is tax and custom duties incentives. The residents of industrial parks are exempt from

Corporate income tax for



10
years

Property tax for



10
years

Land tax for



10
years

VAT for imported machinery and equipment for



10
years

Customs duties on imported machinery and equipment for



10
years

Industrial Parks and Districts

Statistics of Industrial Parks and Districts

135 business entities were granted residency status



74 residents are already operating

ACHIEVED

3.88 \$ bln
investment

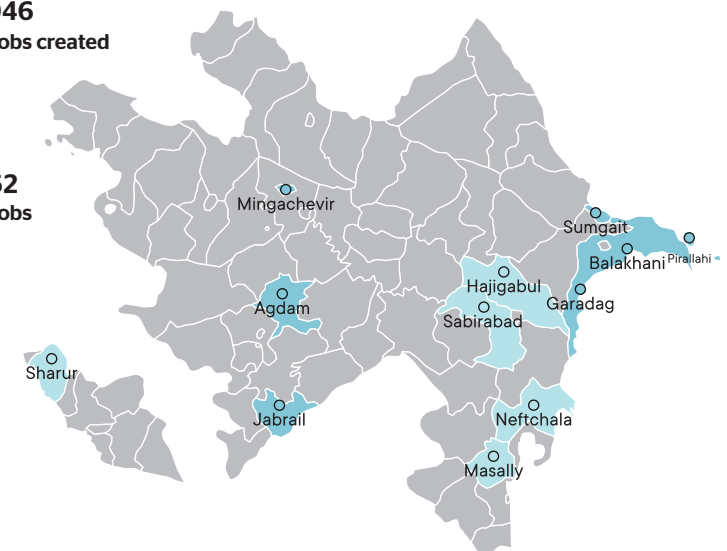
11,046
new jobs created

PLANNED

458.8 \$ mln
investment

6,462
new jobs

- Industrial Parks
- Industrial Districts



INFRASTRUCTURE

Residents of industrial zones are provided with infrastructure developed at the expense of state funds:



Electricity supply



Natural gas supply



Sewage system



Water supply



Internal highways



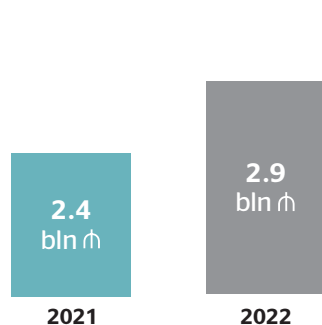
Railway lines



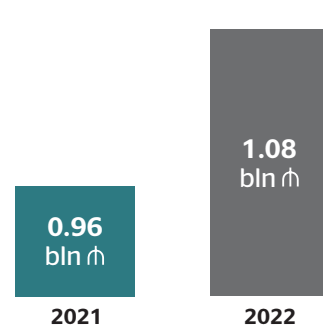
Fiber-optic cable

PRODUCTION AND EXPORT IN INDUSTRIAL PARKS AND DISTRICTS

TOTAL PRODUCTION



EXPORT



Residents operate with an investment promotion document in industrial zones.

Investment Promotion document

To diversify the economy and support the attraction of foreign investment in the non-oil sector, Azerbaijan provides investment promotion documents to legal entities and individual entrepreneurs which is issued by the Ministry of Economy of the Republic of Azerbaijan for investment projects. There are below mentioned benefits of IPD holders:



Exempt from VAT and customs duties on the import of machinery, technological equipment and facilities

7



Exempt from property tax

Y



Exempt from land tax for the lands owned or used

E



In case of an individual entrepreneur, 50% of the income is tax-free from the date of receipt of the Investment Promotion Certificate

A



In case of a legal entity, 50% of the profit is tax-free

R

S

Azerbaijan Investment Company (AIC)

Azerbaijan Investment Company OJSC was established to support business development in the non-oil sector of the Azerbaijani economy by investing in the project's equity capital. The main goal of the company is to promote economic diversification and to support import substitution process.

AIC increases the market value and competitiveness of invested companies by integrating new technologies and know-how. The priority areas for cooperation are agriculture, food, industry, pharmaceuticals, logistics and renewables. AIC invests in existing (brownfield) or new (greenfield) projects with a minority shareholding (up to 30 %) and exits from the project after 5-7 years.

During past 16 years, AIC has been cooperating with many foreign investors within the framework of various projects.

Advantages of investment with Azerbaijan Investment Company:



UNIQUE FINANCIAL SOLUTIONS

Equity investments and balance sheet enhancement through debt reduction



ACCESS TO INTERNATIONAL CAPITAL MARKETS

Ability to market investment project to international investors and helping build international business relations



BEST BUSINESS PRACTICES

Implementation of CG practices in portfolio companies and experience in market analyses and financial modeling, budgeting and taxes



EFFICIENT COORDINATION BETWEEN STATE AGENCIES AND AIC

Contribution to the acceleration of investment processes via AIC's close cooperation with the relevant state agencies



EXPERTISE

Supply of talent that business is lacking by means of hands-on groups who will help meet new business goals and maximize company value



COMMITMENT TO SUCCESS

Vesting interest in making sure that the investment does well. Strong partner reliance on the AIC's commitment to ensure the future of investment is successful

Alat Free Economic Zone (AFEZ)

AFEZ is an important part of the general policy to develop a knowledge-based and internationally competitive economy with the goal to become a highly competitive participant in international economic relations.

AFEZ located at the intersection of international transport corridors in vicinity of the Baku International Sea Trade Port. Its unique legal base is founded on the "Law of the Republic of Azerbaijan on the Alat Free Economic Zone" adopted by the Parliament and signed by the President of Azerbaijan as a prevailing law of the Republic of Azerbaijan. In addition to business-friendly legislation, fiscal and non-fiscal incentives, AFEZ provides its clients with industrial land plots with ready-to-use off-site and on-site infrastructure and utilities.



Advantages of Alat Free Economic Zone

-  Exemption from customs duties and taxes on import to the free zone and export from the free zone
-  No personal income tax for local personnel
-  No social security payments and no other similar taxes and payments for foreign skilled personnel
-  No restrictions on foreign ownership
-  No requirement for a local partner
-  No restrictions on currency transactions or profit repatriation
-  Investors' property is immune from any nationalization expropriation measures or any other restrictions on private ownership
-  Full protection of intellectual property rights
-  Assistance in finding local skilled personnel
-  Total area: 850 hectares
Future development area: 7000 hectares

Entrepreneurship Development Fund

Entrepreneurship Development Fund of the Republic of Azerbaijan is a legal entity operating in the direction of financing and promotion of entrepreneurial activity. The fund provides soft loans, subsidies and credit guarantee schemes to greenfield and expansion projects based on innovative technologies in non-oil sector and serves to create new manufacturing, processing and infrastructure enterprises, as well as to increase the production of export-oriented products in Azerbaijan. Soft loans are offered through authorized credit institutions to predetermined priority directions in the economy of Azerbaijan.



Interest rate of the loan



The term of the loan



Grace period of the loan

The Small and Medium Business Development Agency

The Small and Medium Business Development Agency of the Republic of Azerbaijan (KOBIA) is authorized to support the development of small and medium businesses in the country by providing SMBs with a number of services as well as ensuring coordination and regulation of services rendered by government entities to SMBs through SMB Houses. The Agency's goal is to use a flexible supervision system, broadly implemented in this area as meeting modern requirements in compliance with international experience as to increase the share of micro, small and medium-sized businesses in the national economy, boost their competitiveness, improve mechanisms to provide them with institutional support, coordinate the activities implemented by public and private entities in this area, establish favorable business environment to ensure development of entrepreneurship in the country's regions. KOBIA provides grants, financial support for domestic market research, start-up certificates and etc.

Center for Analysis and Coordination of the Fourth Industrial Revolution

In order to strengthen the position of the Republic of Azerbaijan in the Fourth Industrial Revolution, as well as in order to carry out the analysis and coordination of challenges, initiatives, strategies and projects on the digital economy, Center for Coordination and Analysis of the Fourth Industrial Revolution under the Ministry of Economy was established.

The Center collaborates with the World Economic Forum on artificial intelligence and machine learning, internet of things and urban transformation, as well as digital trade and economy platforms. It also coordinates activities of the World Economic Forum's Affiliate Center in Azerbaijan.

Agro Credit and Development Agency

The Agency for Agro Credit and Development under the Ministry of Agriculture of the Republic of Azerbaijan is the national executive body in charge of the implementation of crediting and management of the agricultural development projects, participating in the implementation of state support measures (subsidies, preferential loans) in the agricultural sector, promoting innovative methods and best practices in the agricultural industry, the execution of loans through participating financial institutions to support entrepreneurial initiatives, the development and the implementation of programmes for the public-private partnership in the agricultural sector. The Agency is crucial in connecting the domestic agriculture sector to finance and technology through funding projects and releasing public subsidies.

The main activities of the Agency include:

- Issuance of soft agricultural loans, issuance of discounts for equipment and breeding animals;
- Delivery of subsidies
- Implementation of rural development projects
- Ensurance of the development and implementation of programs within the public-private partnership in the agricultural sector.

Innovation and Digital Development Agency

Taking into account current world trends and the 4th industrial revolution, one of the main goals of Innovations Agency under the Ministry of Digital Development and Transport of the Republic of Azerbaijan is to enhance ICT ecosystem in Azerbaijan by different approaches in order to increase non oil sector of the country, as well as follow current world trends. Innovation Agency has a clear understanding of what potential Azerbaijan has in the field of IT and how it can benefit the country in the future.

Today, Innovation Agency plays a role of an enabler in the ecosystem in order to enhance its efficiency and potential, by supporting financially mainly private sector players in order to encourage them step forward in IT field. Moreover, taking into account the digitalization trend and its benefits to the both public and private sector, one of the main aims of the Innovation Agency is to digitalize mainly public sector by implementing cloud systems and other digital solutions that would increase efficiency and productivity, as well as to become more transparent to the public. Innovation and Digital Development Agency is the managing body of High Tech Parks (HTP).

Tax exemptions of High Tech Park residents



Profit and income tax other than income tax withheld from wages



Land tax starting from the fiscal year residents registered in HTP



Property tax starting from the fiscal year residents registered in HTP



Import VAT (18%) on the import of machinery, technological equipment and facilities



Custom duties on the import of machinery, technological equipment and facilities

Contacts

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Useful links

THE MINISTRY OF ECONOMY
www.economy.gov.az

THE STATE CUSTOMS COMMITTEE
www.customs.gov.az

PRIVATIZATION PORTAL
www.privatization.az

THE STATE STATISTICAL COMMITTEE
www.stat.gov.az

ALAT FREE ECONOMIC ZONE
www.afez.az

ECONOMIC ZONES
DEVELOPMENT AGENCY
www.economiczones.gov.az

OFFICIAL ELECTRONIC VISA PORTAL
www.evisa.gov.az

AZERBAIJAN INVESTMENT COMPANY
www.aic.az

ENTREPRENEURSHIP DEVELOPMENT
FUND
www.edf.gov.az

AGRO CREDIT AND
DEVELOPMENT AGENCY
www.akia.gov.az

STATE TAX SERVICE
www.taxes.gov.az

THE SMALL AND MEDIUM BUSINESS
DEVELOPMENT AGENCY
www.smb.gov.az