



LEGISLATION UPDATE

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The new Law “On Investment Activity” came into force

On July 27, 2022, the new law on “Investment Activity” No. 551-VIQ dated June 22, 2022 (**“the Law”**)* came into force in the Republic of Azerbaijan. With the entry into force of this Law, the previous law “On Investment Activity” dated January 13, 1995 No. 952 is abolished.

Consisting of 4 chapters and 20 articles, the new Law defines the legal and economic basis of investment activity in the Republic of Azerbaijan, and guarantees the protection of investors' rights and legal interests. The Law includes a number of provisions related to the investment activity including the main principles of state regulation, the purpose and main directions of state policy in this field, investment promotion, priorities, forms and characteristics of investment activity, rights and duties of investors, as well as guarantees provided by the state for investment activity.

Along with the below changes in the definitions given to “investment” and “investment activity” in the previous law, new other definitions such as “investor”, “local investor”, “foreign investor” and “investor project” have been added to the Law for the first time:

- **“investment activity”** - a set of actions of investors related to investment in the territory of the Republic of Azerbaijan
- **“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

One of the important clauses reflected in the Law is the specification of **priorities** in the field of investment activities. According to the article 7 of the Law, investment projects that: 1) increase the technological capacity of the economy, are aimed at the application and development of innovations; 2) based on the application of environmentally friendly technologies, envisaging the improvement of the environment, efficient use of natural resources; 3) support the development of a healthy lifestyle of the population; 4) aimed at the development of social infrastructure and various sectors of the economy; 5) require the formation of knowledge and skills in accordance with modern requirements; 6) supporting the development of regions are considered prior projects in investment promotion measures provided by the state.

The incentive measures for **investment activity promotion** provided by the state to the above-mentioned priority areas include:

- determination of exemptions for tax and other state;
- providing loans on preferential terms;
- establishment of special economic zones, industrial parks and other regime zones;
- expansion of the public-private partnership mechanism;
- providing local and foreign investors with advice and information through online platforms about the investment potential of the Republic of Azerbaijan, as well as

* <https://president.az/az/articles/view/56757>

- normative legal acts of the Republic of Azerbaijan regulating investment activities, investment projects and potential partners, organizing relevant events in this field;
- other measures aimed at promoting investment activity. (article 6)

Article 8, in its turn, states that investment activity can be carried out in the following **forms**:

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

According to the Law, foreign investors and their investments in similar situations are subject to a **treatment** (most favorable treatment) that is not less favorable than the treatment applied to local investors and their investments, as well as to other foreign investors and their investments. (article 12)

With the exception of the cases stipulated by the legislation, the following investment incomes are guaranteed to be transferred abroad without delay and freely in freely circulating currency in accordance with the Law of the Republic of Azerbaijan "On Currency Regulation": 1) profits, dividends, interest, royalties and other income; 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; 3) amounts for compensation and damages; 4) earnings of migrant workers in connection with the investment; 5) other payments not prohibited by law. (article 14)

It should be also noted that although the types, subjects and objects, funding sources, state regulation forms of investment activities were reflected in the previous law, the newly enacted law does not specifically define such provisions.

In order to ensure the application of the Law, the President of the Republic of Azerbaijan defined that the President of the Republic of Azerbaijan shall exercise the powers of the relevant executive authority provided for in Article 3.4 of the Law, and the Cabinet of Ministers shall resolve relevant issues arising from the Law regarding the implementation of investment activities.

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