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S.Mahmudov

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LAW OF THE REPUBLIC OF AZERBAIJAN On Investment Activity

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

Chapter 1 GENERAL PROVISIONS

Article 1. Definitions used in this Law

- 1.1. The main terms used in this Law shall 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 domestic and foreign investor carrying out investment activities in the territory of the Republic of Azerbaijan;
 - 1.1.4. domestic 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, stateless persons, foreign legal entities and their branches and representative offices, international organizations, as well as a foreign state carrying out investment activities;
 - 1.1.6. investment project – a set of measures that condition the investment and its implementation for carrying out investment activities.
- 1.2. Other terms used in this Law express the meanings defined by the normative legal acts of the Republic of Azerbaijan.



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Article 2. Legislation in the field of investment activity

The legislation of the Republic of Azerbaijan in the field of investment activity consists of the Constitution of the Republic of Azerbaijan, treaties 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 domestic and foreign investors in the territory of the Republic of Azerbaijan.

3.2. Taking into account Article 9 of this Law, investing is the exclusive right of the investor and shall be protected by law.

3.3. Investment activity in Alat Free Economic Zone is regulated in accordance with the requirements of the Law of the Republic of Azerbaijan "On Alat 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 property;

4.1.2. legality;

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 purpose of the state policy in the field of investment activity is to ensure sustainable economic development based on domestic and foreign investments, develop competitive production and service areas, and 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:



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- 5.2.1. formation of favorable investment environment, including strengthening free competition environment;
- 5.2.2. protection of investors' rights and legal interests, as well as investments;
- 5.2.3. creation of equal opportunities for investors while carrying out investment activities;
- 5.2.4. ensuring stability of conditions for carrying out investment activities;
- 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 in relation to carrying out investment activities and providing such services 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 favorable 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 domestic 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 stipulated 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 application of eco-friendly technologies, envisaging the improvement of environment, efficient use of natural resources;
 - 7.1.3. investment projects supporting the development of a healthy lifestyle of the population;



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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 carrying out an 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 carrying out 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 stipulated 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 stipulated 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 are entitled to:

10.1.1. to freely determine the form of carrying out investment activity, the volume of investment, the field and form of entrepreneurial activity;

10.1.2. to freely determine the sources of financing of investment activity that are not prohibited by law;



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10.1.3. to suspend or terminate the investment activity at any time, taking into account the requirements of this Law and the terms of agreement on carrying out investment activity;

10.1.4. to own income derived from investment activities, goods produced, work performed, and services provided, as well as property, including property rights and other rights with monetary value;

10.1.5. to reinvest the income derived from investment activity;

10.1.6. in relation to foreign investors, in accordance with Article 14 of this Law, transfer of income and other funds derived from investment activities to a foreign country in freely convertible currency or another form after paying taxes and other state payments in accordance with the requirements of the Law of the Republic of Azerbaijan “On Currency Regulation” and the agreement on carrying out investment activities;

10.1.7. to 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 carrying out investment activities and the disclosure of which is not prohibited by law;

10.1.9. to exercise other rights stipulated by this Law and the agreement on carrying out 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 state payments in accordance with the laws in force at the time of transactions;

11.1.3. to comply with mandatory requirements in the field of protecting the life and health of the population, environmental protection, preservation of historical and cultural monuments, urbanization 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 and not to harm the protected rights and interests of other persons under the law;

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

11.2. Imposing duties on investors beyond those stipulated in the laws of the Republic of Azerbaijan is prohibited.



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Chapter 3

STATE GUARANTEES FOR INVESTMENT ACTIVITY

Article 12. The regime applicable to investors and their investments

12.1. Protection of the rights and freedoms of investors stipulated by this Law is guaranteed and unreasonable and discriminatory treatment, intimidation, harassment and violence against investors and their investments are prohibited by the state.

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, 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 (her) investment in similar situations.

12.4. The application of the regimes stipulated in Articles 12.2 and 12.3 of this Law, subject to non-discrimination and bias in application, does not affect the application of the laws of the Republic of Azerbaijan in the field of protecting human life and health, the environment, public order, including the state security and economic interests in the event of a serious threat.

Article 13. Guarantee against nationalization and expropriation of investment by the state

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

13.2. No discrimination is allowed in nationalization and expropriation of investment by the state.

13.3. In exchange for nationalization and expropriation of investment by the state, compensation is paid to investors in accordance with the Law of the Republic of Azerbaijan "On Expropriation 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 is determined according to the fair market value of investment at the immediately preceding time after the nationalization or expropriation of investment by the state or when it is made public (whichever occurs sooner) and is paid without delay in a freely convertible currency for foreign investment and in the currency of investment for domestic investment.



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Article 14. Guarantees on the transfer of investment income

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

14.2. The following are included in the amounts transferred abroad freely in accordance with Article 14.1 of this Law:

- 14.2.1. profits, dividends, interest, royalties and other income;
- 14.2.2. earnings resulting from full or partial sale, or other alienation of investment, or full or partial termination of investment activity;
- 14.2.3. amounts for compensation and payment of damages;
- 14.2.4. earnings of migrant workers in connection with the investment;
- 14.2.5. other payments not prohibited by this Law.

14.3. Transfers may be delayed or limited without any discrimination or prejudice in accordance with requirements of normative legal acts in the field of protection of the rights of creditors from insolvency and bankruptcy, arising from criminal or administrative liability, as well as combating the legalization of criminally obtained property, and the financing of terrorism, including application of targeted financial sanctions, payment of taxes and other government payments, and enforcement of court decisions.

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, administrative procedures, out-of-court settlements based on 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 exhaustion of the legal remedies stipulated in the Civil Procedure Code of the Republic of Azerbaijan, the foreign investor may submit the investment dispute between the Republic of Azerbaijan and the foreign investor to international arbitration.

15.3. If the bilateral treaties on 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 treaty are applied.



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

Article 16. Compensation for damages to investors

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

16.2. Disputes regarding the compensation for 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 suspended 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 carrying out investment activity.

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

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

Chapter 4

FINAL PROVISIONS

Article 18. Entry into force of this Law

18.1. From the day this Law entered into force, Laws of the Republic of Azerbaijan "On 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" (Report of the Supreme Soviet 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;



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2004, No. 4, Article 202; 2007, No. 10, Article 938; 2019, No. 1, Article 27, No. 6, Article 993) shall be 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 held responsible for violation of the requirements of this Law in cases stipulated by 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.

Ilham Aliyev,
President of the Republic of Azerbaijan

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