

Business opportunities
in

AZERBAIJANI

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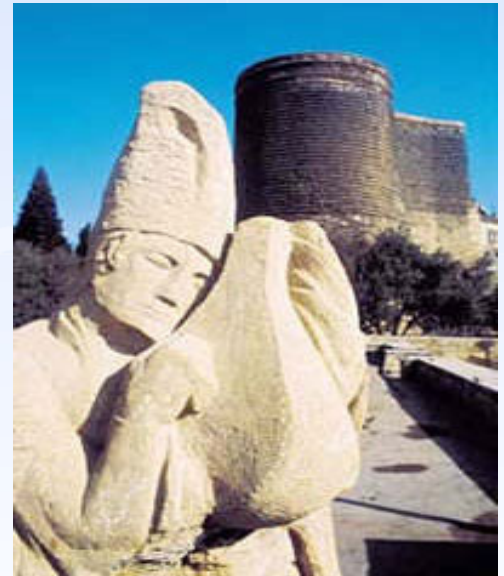
History

The present day citizens of Azerbaijan are the heirs of a rich history, the successors of along progression of cultures and civilizations.

Historically, Azerbaijan was divided into two parts: the northern and the southern.

Despite a 1994 cease-fire, Azerbaijan has yet to resolve its conflict with Armenia over the Azerbaijani Nagorno-Karabakh enclave.

Azerbaijan has lost 20% of its territory to Armenia aggression and must support some 1,000.000 internally displaced persons and refugees as a result of the conflict.



Geography

Geographic coordinates: 40 30 North, 47 30 East

Area: 86.600 sq km

Sea Line: 800 km

Population: 8.5 mln

Language: Azerbaijani

Border Countries

Iran in the south – 765 km

Armenia in the west – 1.007 km

Georgia in the north-west – 480 km

Russia in the north – 390 km

Turkey in the south-west – 15 km



The territory includes Azerbaijani sector of the Caspian Sea 456 km

Business climate

- o Non discrimination principle. Local and foreign investors are equal
- o Additional legal guarantees for foreign businesses
- o Few limitations for FDI
- o Liberal immigration and work policies
 - Corporate tax - 22%
 - Still low average wages (150 EURO monthly)
 - WTO accession
 - Easier business start up procedure
 - "High margins" market
 - International Arbitration is accepted

FDI Regime

The Republic of Azerbaijan is the leading FDI destination in the region

Major factors that turned Azerbaijan into a leading FDI destination:

- Abundant resources
- Favorable location
- Competitive cost of production
- “High” margins market

FDI and Domestic Investment

The “open door” policy for foreign businesses

The Government of Azerbaijan welcomes foreign direct investments (FDI) in the country.

- ❖ **Gross domestic product – 134.5% (2006)**
- ❖ **Foreign trade turnover – 136.0% (2006)**
- ❖ **“National” regime for FDI**
- ❖ **Few restrictions for FDI activities**

Business Start Up

- **Registration** – limited paperwork and 5 days term for legal entities registration
 - 1) General partnership
 - 2) Limited partnership
 - 3) Limited liability company ("LLC")
 - 4) Joint-stock company (open type and close type)
 - **Land Acquisition- liberal regime**
 - Liberal regime
 - Private Ownership
 - Property right
 - **Licenses / Permits**
 - Circa 40 licenses after 2002 reforms
 - Register of licenses in the Ministry of Economy Development
- “One-Stop-Shop” to be launched in January 2008

Taxes

Tax policy and collection of taxes in Azerbaijan is carried out by the Ministry of Taxes. For the purposes of this review we will concentrate on the corporate taxation (22%)

Simplified tax is charged at the following rates on the gross revenue of the taxpayers:

4% for taxpayers operating in Baku

2% for taxpayers operating in other regions of Azerbaijan

VAT registration

Companies with taxable transactions exceeding a certain threshold (currently approximately \$25,000 USD per three consecutive months) must register as VAT payers.

Labor issues

Labor relations governing the employment of all workers and employees in the Republic of Azerbaijan are regulated by the Labor Code, effective 1 July 1999 (the Labor Code), together with other laws issued pursuant to the Labor Code.

- Compensation in Foreign Currency - All salaries must be paid in manats.
- Probationary Period - 3 months
- Minimum Wage - Currently 50 manats (approximately US\$ 60) per month
- Work Week - 40 hours
- Holidays - 21 calendar days
- Social insurance - 22% of the salary

Dispute resolution / Arbitration

❖ Courts

Azerbaijan has a three tier court system - courts of first instance, appellate courts and cassation court.

❖ Mandatory enforcement

Enforcement procedures set forth in Law on the Execution of Court Orders apply to judgments of Azeri and foreign courts as well as international arbitration and foreign arbitration awards.

Azerbaijan recognizes decisions of international arbitrators.

Azerbaijan-German partnership

Cooperation between Azerbaijan Republic and German Federative Republic started from 1994.

The total trade turnover from 2006 between Azerbaijan and German is 412,7 mln. USD, Import - 403,7 mln. USD, Export - 9 mln USD

In the frame of Azerbaijan - German technical assistant program 39,92 mln. Euro has been allocated by the German Government to the implementation of the projects.

Till today loan by the KFW Bank was made 144,58 mln Euro and grants has been allocated 23, 8 mln Euro.

About AZPROMO

AZPROMO (Azerbaijani Export & Investment Promotion Foundation) is a joint Public Private Initiative established by the Government of Azerbaijan in 2003.

In August 2005 the Foundation, originally only tasked to attract Foreign Direct Investments to the country was also empowered with the mandate to promote export of local non - oil products.

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Welcome to Azerbaijan!

