

Abstract geometric lines in the top left corner of the slide, consisting of several overlapping, irregular polygons and lines in a light gray color.

Outbound Investment Regime

Key Considerations

April 2024

AGENDA

- Introduction
 - cross-border investments
- Outbound Investment Regime
 - Republic of Azerbaijan
 - target markets
 - key considerations
- Q&A

CROSS-BORDER INVESTMENTS

- Audience
 - proprietors and managers residents of Republic of Azerbaijan
 - territory/jurisdiction of doing business
 - sectors: IT, other innovation industries
- Target: Establishing and Developing Business, Foreign Markets
- Choice among Foreign Markets
 - Azerbaijan's domestic regime
 - nexus between Azerbaijan and foreign jurisdiction
 - intermediary (interposed) jurisdictions
 - foreign market jurisdiction regime

REPUBLIC OF AZERBAIJAN

- **Place of Proprietor's Residence, Doing Business, Management, Discharge of Operations**
- **Concept of Resident**
 - primarily, taxation
 - currency control
- **Entities and Individuals**
 - entities: country of establishment or managment
 - individuals: country of physical presence
- **Sectors:**
 - key asset, disposal/exits
 - intellectual property (IP)

REPUBLIC OF AZERBAIJAN: DOMESTIC REGIME

- Taxation
- IP
- Currency Control
- Raising Financing
- Customs
- Dispute Resolution

REPUBLIC OF AZERBAIJAN: DOMESTIC REGIME

- Taxation
 - local incentives
 - countries and territories with preferential taxation:
 - those with tax rate at 75 percent and lower of rate applicable under Azerbaijani Tax Code
 - those not exchanging with the Republic information according to relevant standards under international agreements;and/or
 - those with law protecting confidentiality of information of companies enabled to preserve secrecy of their financial data or beneficiary of property or income (profits)

REPUBLIC OF AZERBAIJAN: DOMESTIC REGIME

- Taxation
 - 47 foreign countries and territories with preferential tax regime:
 - Andorra, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Bahrain, Barbados, Belize, Bermuda, British Virgin Islands, Brunei Darussalam, Cape Verde, Cayman Islands, Cook Islands, Dominica, Fiji, Gibraltar, Grenada, Guernsey, Hong Kong (PRC), Isle of Man, Jersey, Labuan (Malaysia), Liberia, Lichtenstein, Macao (PRC), Maldives, Marshall Islands, Mauritius, Monaco, Montserrat, Nauru, Niue, Palau, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Seychelles, Taiwan (PRC), Thailand, Trinidad and Tobago, Turks and Caicos Islands, Vanuatu, Union of the Comoros, US Virgin Islands
 - Direct and indirect payments by residents of Republic and permanent establishments in Republic of non-residents to persons incorporated in listed jurisdictions, including their branch and representative offices in third jurisdictions, as well as to bank accounts in listed jurisdictions are regarded sourced from Azerbaijan and taxed accordingly

REPUBLIC OF AZERBAIJAN: DOMESTIC REGIME

- IP
 - copyright, industrial rights, non-traditional rights
 - IP rights in software are protected as copyright
 - material/tangible and intangible (personal) copyright
 - period of protection: lifetime of author + 70 years
- Key Treaties, Azerbaijan Participates in:
 - Berne Convention for Protection of Literary and Artistic Works of 9 September 1886
 - Paris Convention for the Protection of Industrial Property of 20 March 1883
 - Patent Cooperation Treaty (PCT) of 19 June 1970 and Protocol Relating to 1891 Madrid Agreement Concerning International Registration of Marks

REPUBLIC OF AZERBAIJAN: DOMESTIC REGIME

- **Currency Control**
 - **AML and CFT**
 - **Democratic People's Republic of Korea, Iran, and Myanmar are on list of high-risk jurisdictions by Azerbaijani Financial Monitoring Service**
 - **list of non-cooperative countries remains effective since 2017: Islamic Republic of Afghanistan, Republic of Armenia, Belize, Union of Burma, Republic of the Congo, Republic of Cote d'Ivoire, Cooperative Republic of Guyana, Islamic Republic of Iran, Republic of Iraq, Democratic People's Republic of Korea, Lao People's Democratic Republic, Republic of Liberia, Federal Republic of Somalia, Republic of the Sudan, Kingdom of Thailand, and Socialist Republic of Vietnam**

REPUBLIC OF AZERBAIJAN: DOMESTIC REGIME

- **Raising Financing**
 - credit, issuing securities, international financial institutions, hybrid
- **Customs**
 - control of IP, parallel import
- **Dispute Resolution**
 - Azerbaijan participates in New York Convention

NEXUS BETWEEN AZERBAIJAN AND FOREIGN JURISDICTION

- **Treaties Regarding Taxation**
 - treaties for avoidance of double taxation, 54 are effective
 - tax administration agreements, around ten effective agreements
 - BIT, Bilateral Investment Treaties
 - 46 are effective
- **Free Trade Agreements**
- **International Multilateral Treaties**
 - **Convention on Settlement of Investment Disputes (ICSID Convention)**
 - **Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA)**

INTERPOSING JURISDICTION

- International Treaty Protection with Target Jurisdiction
 - should agreements be not adequate, you would look for intermediary jurisdiction
 - worldwide, the Netherlands
 - IP and software, Ireland
 - *vis-à-vis* Azerbaijan, UAE

TARGET JURISDICTION

- **USA**
 - **broadly, all entities are corporations**
 - **corporate law governed by laws of states**
 - **key requirement for registration: limiting liability**
 - **in limited sense, corporations are joint stock companies**
 - **C and S corporations are governed by internal revenue code**
 - **S corporations are “small” (shareholders may elect for company to be taxed as partnership, pass-through), C corporations are classic entities**

SHAREHOLDERS AGREEMENT

- **Founders**
 - **company participants upon its establishment**
 - **roles of promoters in USA**
- **Shareholders Agreement**
 - **required among more than than one founder of entity (ALC, LLC, və JSC)**
 - **may as well be made between company and its sole founder**
 - **no other regulation or filing in Azerbaijan**

IP MATTERS

- IP
 - type of ownership ensuring protecting rights and interests of creators
 - includes works of art and literature, inventions, trademarks, and others
 - consists of two main categories: (i) copyright and (ii) industrial property
 - objects of copyright:
 - works of science, literature and art – books, articles, music, pictures, photographs, drawings, scripts, software and other works related to intellectual activity
 - related rights: apply to performances by artists, phonogram producers and broadcasters

OTHER

- Licenses and Permits
- Document Management and Accounting
- Personal Data Privacy
- Employment and Labor
- Competition
- HSSE
- For Details: https://bureau28a.com/files/books/586b7d30-8571-4d83-998b-24af8e26b5fd_Investing%20across%20Borders%20Azerbaijan,%20Republic%20of%20AZ.pdf



THANK YOU

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