

# The Startup Ecosystem of Azerbaijan

## *Mini-research*

### Foundation of a legal entity: procedures/time

Registration of a company in Azerbaijan is carried out by one window principle in the State Tax Service. Company registration process (except for branches and representative offices) takes 3 working days, registration of branches and representative offices takes 5 working days.

The state duty for registration of a legal entity is 220 AZN, which is equivalent to about \$129.41.

The most popular form of business in Azerbaijan is the Limited Liability Company (LLC), it is also possible to register a company in the form of a general partnership, limited partnership, additional liability company, open joint stock company, closed joint stock company.

The list of documents required for registration of a company in Azerbaijan (with no foreign capital):

- Notarized "Application for State Registration of a Commercial Entity";
- "Information on the founder natural entities";
- A copy of the ID card of the individual founder (founders) natural entity;
- "information on the founder legal entities";
- A notarized copy of the certificate of state registration (extract from the State Registry) and the Charter of the founder legal entity (founders);
- The Charter approved by the founder (founders) of the structure or its authorized representative (in two counterparts);
- A decision(s) on the foundation of the entity, approval of the charter and formation of the management bodies;
- "information on the application of special tax regime" (if the entity operates under a special tax regime);
- a copy of the document proving the identity of the legal representative;
- a document confirming the legal address;
- a document confirming the payment of the state duty (a receipt);
- a document confirming payment of the authorized capital (bank receipt, mortgage on immovable property, etc.), except for cases when the Articles of Association of a limited liability company stipulate payment of the authorized capital within a certain period of time;
- the applicant's ID card;
- A power of attorney (in case the application is signed by an authorized person).

For registration of a company with foreign capital in Azerbaijan in addition to the above documents you also need:

- If the founder is a foreign legal entity - documents confirming its registration in a foreign country - a notarized copy of the registration certificate (extract from the Registry) and other documents.
- In case the founder is a foreigner or a stateless person - a document confirming his economic activity in any country.

You can find the application forms and certificates (available in Azerbaijani), samples of the charters and decisions (available only in Azerbaijani), and other documents in the "one window" section of the website of the State Tax Service of Azerbaijan.

If the type of activity of the company requires a license and necessary permits, they can be obtained within 15 days through the Portal of Licenses and Permits.

After completing registration, the company can obtain a mobile signature (ASAN Imza), a corporate seal, open a bank account (this requires submitting a copy of the tax certificate to the selected bank via the e-tax system), register the labour contract of the legal representative (director) in the state Registry of labour contract notices.

*For information only*

*Asan Imza (Mobile ID) is a mobile electronic identity card in Azerbaijan, which can be used when using electronic services and verifying digital signature. Asan Imza allows you to perform all available electronic actions. In fact, it is a SIM card for a cell phone, which contains electronic certificates, with similar functions to those of an ID card. With Asan Imza, the company owner can confirm his identity and sign documents with a digital signature. You can find out how to get a mobile signature [here](#).*

## Corporate taxation in Azerbaijan

Taxes for legal entities in Azerbaijan:

1. Corporate tax - 20%.
2. VAT - 18%. Companies with annual turnover of more than 150.000 AZN should be registered as payers of VAT only.
3. Excises. Excises are paid at the rates approved by the Cabinet of Ministers.
4. Property tax - 1% of the average net book value of fixed assets.
5. Land tax - 0.6 manat per 1 conditional point. Their total amount depends on the area of the plot, its location and purpose.
6. Road tax. It is levied on foreign vehicles when crossing the customs points and on producers of gasoline, fuel and liquefied gas. In the first case the rate depends on the engine power and the term of the vehicle's stay in the territory of the state. In the second case it is determined on the basis of the wholesale or customs value of the products.
7. Trade tax. It is calculated depending on the wholesale value of resources and minerals. The highest rate is set for oil and gas sector enterprises - 26% of the wholesale cost per cubic meter.
8. Tax under the simplified taxation system. It is possible only for enterprises whose annual volume of taxable operations does not exceed 120,000 AZN. There is a rate of 4% of gross revenue in Baku and 2% in other regions.

You can use [calculators](#) to calculate some taxes and deductions on the website of the State Tax Service.

## List of departments for registration of legal entities

The registration authority in Azerbaijan is the State Tax Service of Azerbaijan. List of departments:

State Tax Service of the Nakhchivan Autonomous Republic  
Address: A. Aliyev str., AZ 7000, Nakhchivan

Main department of the National Revenue of State Tax Service

Address: 105 Heydar Aliyev Avenue, Baku, AZ 1029

Main Territorial Tax Administration No.2

Address: 2, Kulieva str., 44th quarter, Sumgait, AZ 5001

Territorial Tax Department # 3

Address: Yeni korpu, 1, AZ 4000, Guba

Territorial Tax Department # 4

Address: 118 km of Baku-Gazakh highway, AZ 5600, Shamakhi

Territorial Tax Department # 5

Address: 14, G.Shykhbala oglu str., AZ 1812, Shirvan

Main Territorial Tax Department No 6

Address: 97A, Zarifa Alieva str., AZ 4200, Lankaran

Territorial Tax Department # 8

Address: SMD-42 settlement, AZ 1200, Beylagan

Territorial Tax Department # 9

Address: 112A Ali Karim str., AZ 2300, Geychay

Territorial Tax Department #10

Address: 1 Ismail Bey Gutgashinli St., Gabala, AZ 3600

Main Territorial Tax Department # 11

Address: 14 Nizami str., AZ 6600, Yevlakh

Main Territorial Taxation Department No. 12

Address: 87 Shah Ismail Khatai ave., Ganja, AZ 2003

Territorial Tax Department #13

Address: 1 Nizami str., Zagatala town, AZ 6200

Territorial Tax Department # 14

Address: 5 Heydar Aliyev ave.

In 2019, the option of online business registration through the website of the registration authority was developed. The procedure takes about 20 minutes.

## Opening a bank account, foreign exchange operations, a brief description of the processes

Documents required to open a company account in a bank of Azerbaijan:

- An application;
- A notarized copy of the charter of the organization;
- A notarized copy of the certificate of state registration;
- A notarized copy of the certificate of registration of the commercial legal entity;
- original of the duplicate certificate issued by the tax authority (in the name of the bank - valid for 10 days);
- Signature and seal sample sheet (notarized);
- A copy of the decision ( the identity of which with the original is certified by the legal entity) on appointing the persons mentioned in the signature sample sheet to the positions; if the position of chief accountant is not stipulated in the staff list, it is necessary to have the respective letter addressed to the Bank in this regard or a note in the signatures and seals sample sheet;
- A copy of the founder's identity card;
- Copies of IDs of the persons mentioned in the signature samples;
- FATCA-compliant self-assessment questionnaire.

Banks of Azerbaijan:

[AccessBank](#)

[Международный Банк Азербайджана](#)

[BankAvrasiya](#)

[Expressbank](#)

[XalqBank](#)

[PAŞABank](#)

[TuranBank](#)

[Yarı Kredi Bank Азербайджан](#)

[AFB Bank](#)

[Промышленный Банк Азербайджана](#)

[Bank VTB\(Азербайджан\)](#)

[Günay Bank](#)

[Naхçıvanbank](#)

[Bank Silk Way \(Premium Bank\)](#)

[КБ Unibank](#)

[Ziraat Bank Азербайджан](#)

## Internet business regulation, e-commerce

The e-commerce field in Azerbaijan is in its development stage. There are two dominant areas of Internet commerce: B2B and B2C. An obstacle to the development of e-commerce in Azerbaijan is that a significant part of the population prefers to pay in cash.

According to data by the beginning of 2020, about 200 online stores operated in Azerbaijan, whereas at the same time, about 90% of local consumers prefer to buy goods and services outside the country via websites such as Ebay, Amazon, Alibaba, Aliexpress.

A well known B2B e-commerce site in the country is the state portal Azexport. Other e-commerce portals include:

[konttakt.az](#) – Marketplace of electronics (mobile and desktop phones, televisions, tablets, computers and office equipment, cameras, camcorders, audio and video equipment) and household appliances in Azerbaijan;

[Tap.az](#) – site for private announcements in Azerbaijan;

[Turbo.az](#) - car buying and selling

[Bermud.az](#) – online store of electronics and household appliances;

[Bina.az](#) – real estate buying and selling.

A significant role in the development of e-commerce in Azerbaijan was played by the creation of the Digital Trade Hub.

The Digital Trade Hub of Azerbaijan is an e-commerce platform where electronic transactions are legally valid, and the registration procedure for participants on the portal is verified by the state using the Registry of legal entities.

After obtaining an electronic signature, the Digital Trade Hub enables non-residents of Azerbaijan to carry out operations to open companies and bank accounts, hire employees, as well as carry out export-import operations.

State program of e-Residence (electronic residence) and m-Residence (mobile residence) is being implemented in Azerbaijan, allowing businessmen from all over the world to establish and manage their business in Azerbaijan, using all cross-border electronic services of Digital Trade Hub (DTH).

To obtain e-Residency / Residency, it is necessary to obtain a so called e-identity. To do this, you need to apply through the Digital Trade Hub of Azerbaijan and pay the fee. At the moment, due to Covid-19 and restrictions in the operation of Azerbaijani diplomatic missions and consulates, acceptance of applications for m-Residency is temporarily suspended.

## Programs that help startups from other countries obtain grants

Foreign startups can become participants of the Virtual Residency Program of INNOLAND. Virtual residents get access to all of the organizer's events, the opportunity to participate in "ASAN Learning" workshops, free access to the e-OFFICE financial reporting platform, and mentor support for their startups.

To become an INNOLAND Virtual Resident, you need to fill out a registration form and send a presentation of your project. The duration of the Virtual Residency program is 12 months.

## IT recruiting and other services for finding highly qualified professionals

The list of active human resources and recruiting agencies in Azerbaijan.

[Human Capital Baku \(HCB\)](#) – Recruiting company, provides services to find employees for businesses in a number of areas: from IT-specialists, marketers, sales managers, to specialists in the field of logistics, accountants, etc.

[FK-DIPLOMAT LTD](#) – Recruiting company providing personnel recruitment services in the following areas: top management, finance and accounting, banking professionals, human resource management, manufacturing and engineering, construction and architecture, information technology, marketing and advertising, design and engineering, trade and sales, programming, etc.

[Development Services Group](#) – consulting and recruiting company in Azerbaijan.

[HRC](#) - A company providing recruiting and HR services in Azerbaijan.

Portal [Jooble](#) - a site where you can post a job and find the right specialist.

## Startup Acceleration Platforms in Azerbaijan

There are a number of organizations in Azerbaijan that help startups launch and develop their products.

**Incubator and accelerator** [INNOLAND](#) the State Agency for Services to Citizens and Social Innovation under the President of Azerbaijan (ASAN). The incubation program lasts from 3 to 6 months and includes mentor support, networking, and the opportunity to use office space. The acceleration program lasts 3 months, during which startups develop their product and learn different practices covering all areas of business development.

**Acceleration program** [Azerbaijan Innovation House](#). It lasts 12 weeks and helps startups from Azerbaijan connect with Silicon Valley. The program was founded in February 2020 by INNOLAND.

**Program of** incubation of [NEXT STEP innovation center](#). As part of the program, participants get access to coaching, create an MVP, and develop their own business model. The duration of the program is from 2 to 6 months. Projects that have completed the incubation program can apply for funding. You can apply for participation through the website of NEXT STEP innovation center.

**Sup VC** – acceleration program, which allows startups to grow and enter international markets. The duration of the program is 3 months. As part of the program, startups work on a product and prepare for a demo day.

**FasterCapital** – online incubator and accelerator in Azerbaijan, a division of the international incubator and accelerator of the same name. There is one startup participating in the acceleration program in Azerbaijan - the project [MedNot](#).

Incubator [Park of the Advanced Technologies NANA](#). The Fast Track Acceleration Program, developed by the High-Tech Park of the Ministry of Transport, Communications and High Technologies, was implemented in 2018. This is the first acceleration program in Azerbaijan implemented by a state structure.

Pre-acceleration (3 months) and pre-incubation (6 months) programs from the business incubator [Barama Innovation & Entrepreneurship Center](#).

The incubator was created in 2009 and consists of an innovation laboratory, business incubation, entrepreneurship support and business solutions areas. Since 2019 Barama Innovation &

Entrepreneurship Center is supported by the Innovation Agency of Azerbaijan.

***For information only***

*In October 2018, the High Tech Park of the Ministry of Transport, Communications and High Technologies signed a memorandum of cooperation with the startup accelerator AstroLabs from the UAE. The document provides for joint events, organization of meetings of startups operating in Azerbaijan with potential investors from Dubai, and ensuring access to the international market.*

*Events of acceleration program of Founder Institute are organized in Baku. Founder Institute is one of the world's largest accelerator for pre-seed startups with headquarters in Silicon Valley and branches in 90 countries.*

## General characteristics of Azerbaijan in terms of the development of startups and digital services

Government agencies and organizations that contribute to the development of the country's startup ecosystem

One of the key regulators of the startup sector in Azerbaijan is the Ministry of Transport, Communications and Advanced Technologies and the Agency for Innovation, created by the Ministry.

The Agency for Innovation assists entrepreneurs in acquiring modern technologies and technological solutions, supports scientific research of innovative orientation, encourages innovative projects (including startups) by financing them through grants, preferential loans, investments in the share capital.

Azerbaijan also has other structures in this area, influencing the development of startups and IT companies in the country.

High-Tech Research Center, aiming to attract advanced technologies to Azerbaijan and the development of knowledge-based industry in the country. The Center has state-of-the-art laboratories: a photometric laboratory, a biochemical nanotechnology laboratory, a carbon nanotechnology laboratory, an optical spectrometry laboratory, an electron microscopy laboratory (atomic force microscope (AFM), a scanning electron microscope (SEM)). In addition, the Clean room, where high-tech products are created, is also set up here in accordance with European standards.

**State Fund for Development of Information Technologies of Azerbaijan.** It was established by a decree of the President of Azerbaijan in 2012. The purpose of the fund is to give a boost to the work to support industrial activities in the field of information technology, attracting local and foreign investment in this area.

The Advanced Technology Park of the National Academy of Sciences of Azerbaijan (ПBT НАНА) plays its role in the development of startups in the country - a territory with infrastructure, material and technical base, management bodies for the preparation of innovative products, experimental development and scientific research. The ПBT was established in 2016. The purpose of creation is to increase state support in such spheres as sustainable development of the economy and improvement of its competitiveness, expansion of the areas of modern scientific and technological innovations and high technologies, scientific research, creation of modern complexes for mastering new technologies. The residents of the Park enjoy preferential tax treatment.

**Entrepreneurship Development Fund of the Ministry of Economy of Azerbaijan.** It was established in 2018 to improve the mechanism of state support for the development of entrepreneurship in Azerbaijan. At the time of its establishment, the authorized fund amounted to 1,094,254,581 manat, which is equivalent to \$643,679,160.

**The Small and Medium Business Development Agency of Azerbaijan (KOBIA)** is an organization supporting the development of small and medium-sized businesses in Azerbaijan, providing support to entrepreneurs, coordinating and regulating government services in this sector. The agency supports the registration of start-ups and the patenting of innovative ideas.

Public-private and private organizations and projects supporting startup development in Azerbaijan

**Caspian Energy Club** is a regional organization headquartered in Baku and uniting over 5000 companies and organizations from 50 countries that operate (or have intention to operate) in the Caspian-Black Sea and Baltic states. The club supports projects that help to create a favorable investment climate, lobbies for the development of digital economy, innovative and environmentally friendly technologies in all sectors of the economy.

**Startup competition "Yeni Fikir VI".** Organized by the Ministry of Economy and Baku University with the support of BP Azerbaijan and in partnership with the Innovation Center ASAN. The purpose of the contest is to stimulate the development of startups in the country and support innovative entrepreneurship.

## Co-working spaces

### **Name - The Office**

Address - 215 Bashir Safaroglu Street, Baku, Azerbaijan

WEB-address - <http://theoffice.az/>

Overview - <https://www.coworker.com/azerbaijan/baku/the-office> Working hours - Mon-Sat 10-00 to 22-00, Sun- off

Price of rent of a fixed working place - from 350 AZN/month.

Price of a workplace in Open Space - from 250 AZN/month.

Personal office rent - from 800 AZN/month Availability of meeting rooms - yes

### **Name - Co-working space INNOLAND**

Address - 89 M.K. Ataturk ave., Baku, Azerbaijan, Tel: +994 12 444 74 33 (2670),

e-mail: [office@innoland.az](mailto:office@innoland.az)

WEB-address - <http://innoland.az/ru/activity/7>

Overview -

Working hours - 24/7

Rental price of a fixed workspace -

Open Space Workplace Rental Price -

Personal Office Space Rental - / Meeting

Rooms Availability -

### **Name - Co-working Space Regus**

Address - Baku White City Business Centre, 5th floor, Baku, AZ1025

WEB-address -

Overview - <https://www.regus.ua/ru-ua/coworking-space/azerbaijan/baku/baku-bwc>

Working Hours -

Rental price of a fixed workplace

Open Space Workplace Rental Price - Personal Office Space Rental - / Meeting Rooms Availability -

### **Name - COLAB**

Address - Baku, 151 Neftchiler ave. (entrance from Uzeyir Hajibeyli street), phone: +994 50 278 00 72, e-mail: [welcome@colab.az](mailto:welcome@colab.az)

WEB-address - <https://colab.az/ru/>

Overview -

Working hours -

Rental price of a fixed workplace - Price of a workplace in Open Space - 300 AZN/month. Rental of personal office space - / availability of meeting rooms - yes

### **Name - Fabrika**

Address - 92, Nizami Street, Baku, Azerbaijan

WEB-address - <https://www.facebook.com/coworking.az/> , <https://coworking.az/>

Overview - <https://www.coworker.com/azerbaijan/baku/fabrika> Working hours - Monday-Friday: from 10:00 to 19:00, Saturday-Saturday: from 11:00 to 18:00 Fixed workplace rental price

Price of a workplace in Open Space - 140 AZN/month.

Rental of personal office space - / Availability of meeting rooms – yes

More co-working spaces in Baku with addresses, descriptions and working hours can be found [here](#).

## Attracting investment/financing to startups

Startups in Azerbaijan have the opportunity to raise funding through:

- A grant competition held by the State Fund for the Development of Information Technology. It is possible to receive a grant from 10,000 to 300,000 Azerbaijani manats, or from \$5,880 to \$176,470 in the equivalent.
- Entrepreneurship Development Fund under the Ministry of Economy of Azerbaijan. The limit of small credits which can be given to the enterprises from the Fund is 50,000 manat, the limit of medium credits - 1 million manat, the limit of large credits - 10,000,000 manat. At that, the first half of the loan period is preferential. Loan terms are three, five and ten years for small, medium and large loans respectively.
- Infipro Inc is a venture capital fund in Baku investing in IT, Internet and software startups.
- A joint fund of the Ministry of Transport, Communications and High Technologies of Azerbaijan and DAAL Venture Capital, a venture fund from Saudi Arabia. The formation of the fund provides for the Memorandum signed in May 2019 during the international summit Monex Caspian in Azerbaijan.
- Khazar Ventures is an organization that makes venture capital investments in start-ups in Azerbaijan.

## Development of the fintech market in Azerbaijan

The development of the fintech market in the country is at the initial stage. The sphere is regulated by the state. This is the subject of such documents as the Strategic Roadmap for 2016-2020.

"On the Development of Financial Services in the Republic of Azerbaijan". (this document defines the measures to accelerate the digital transformation of banks), " The State Program for the expansion of digital payments in the Republic of Azerbaijan for 2018 - 2020. The purpose of the program is to increase non-cash payments between citizens, business entities, and government agencies and, as a result, to strengthen the financial resource base of banks.

Events are held in the country to promote and popularize fintech. For example, on 8-9 October 2020 the Association of Banks of Azerbaijan together with partners organized online FINTEX SUMMIT 2020 on the theme "New trends in the banking and payment ecosystem: innovative solutions, fintech and security". The aim of the summit was to support the participants of the financial and banking sector to study the trends and dynamics of their development, exchange knowledge and experience, find new partners and new market opportunities.

In 2019, Bank Republic and INNOLAND Incubation and Acceleration Center of the State Agency for Services to Citizens and Social Innovations under the President of the Republic of Azerbaijan **announced** Azerbaijan's first incubation program for fintech startups, Open Banking Lab. The duration of the program is 16 weeks.

## The Possibility of Using Blockchain Technology in Azerbaijan

Azerbaijan has launched pilot projects to use blockchain in a number of areas.

In 2018, Azerbaijan announced the use of blockchain and smart contracts in the country's legal system and in the housing sector. In December 2018, the State Property Committee of Azerbaijan launched a pilot project on the use of blockchain technology in the registration of real estate.

In May 2019, it was announced that by the end of the year, blockchain will be introduced in the financial sphere of Azerbaijan. In particular, the Central Bank of Azerbaijan was to transfer all electronic transactions to blockchain. In October 2020, the Central Bank of Azerbaijan launched the BankID blockchain-based bank customer identification system. The blockchain-based system was created by IBM using Hyperledger Fabric, an open source platform of the Linux Foundation consortium.

On June 13, 2019, the State Customs Committee of Azerbaijan and IBM Corporation signed a Memorandum of Cooperation on the use of blockchain technology in customs procedures. Integration of container transportation data through blockchain technologies into the information system of the Azerbaijani customs was to be completed in 2019. In September 2019, Azerbaijan began implementing blockchain technology in information and document exchange processes with the Georgian customs.

## Special benefits for startups, IT companies in Azerbaijan. The registration procedures for obtaining these benefits

"A Startup Certificate."

According to the Tax Code of the Republic of Azerbaijan, startup legal entities are exempt from income tax on income from innovation activities for 3 years from the date of receipt of the "a startup certificate. The certificate should be issued by the Small and Medium Business Development Agency of Azerbaijan (KOBIA).

### Benefits for residents of the HAHA Advanced Technology Park

Benefits are granted for 10 years from the date of registration. Residents are exempt from income tax (except for labor income tax), income tax, VAT, property tax (in the ПБТ), land tax (tax on land used in the Park), customs duty on importation of equipment and installations for construction of production facilities.

You can apply for residency in ПБТ HAHA online. To do this, you need to download the application form on the page, then fill it out and send it to office@ameaytp.az. The application will be considered within 2 working days.

## General economic situation in Azerbaijan, conditions for relocation and office opening

*According to the State Statistics Committee of Azerbaijan, the average monthly salary in January-August 2020 is 710.2 manat, which is equivalent to \$417.7.*

*Food prices in 2020 equivalent to \$ in Baku on average (data of Numbeo.com service):*

- milk (1 liter) - \$1.04
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  - loaf of white bread (500 g) - \$0.29
  - Rice (white, 1 kg) - \$1.49
  - Eggs (12 eggs) - \$1.32
  - Local cheese (1 kg) - \$3.86
  - Chicken fillet (1 kg) - \$3.58
  - Beef loin (1 kg) - \$7.37
  - Apples (1 kg) - \$0.94
- 
- Bananas (1 kg) - \$1.39
  - Oranges (1 kg) - \$1.60
  - Tomatoes (1 kg) - \$1.10
  - Potatoes (1 kg) - \$0.53

- Bottle of wine - \$5.87
- Local beer (0.5 l) - \$0.98
- Cigarettes (pack) - \$2.94.

Transportation prices:

- ticket for city passenger transport - \$0.18
- cab fare (average fare) - \$0.98
- 1 km in a cab - \$0.47
- 1 liter of gasoline - \$0.55

Utility payments:

- basic utilities for an 85 m2 apartment - \$44.76

Rental housing:

- 1-bedroom apartment downtown - \$343.45
- 1-bedroom apartment in the residential district - \$196.58

There are no publicly known relocation programs in Azerbaijan.

The cost of renting an office in Baku depends on area, level of business center, the availability of additional services. For example, office rent with renovation of 41 m2 in Koroglu area would cost 615 manat, or \$361 in equivalent.

## Prototyping laboratories and Hi-Tech production facilities

Underway.

