

ARTSAKH INVESTMENT FUND



# GUIDE TO INVESTMENT

Stepanakert 2016

*Dear friends:*

*This Guide to Investment has been designed to provide a basic understanding of the investment opportunities available in Artsakh.*

*Hopefully it will help you make a decision as the information given here presents the current economic potential of Artsakh and development opportunities.*

*At the same time, Artsakh Investment Fund (AIF) expresses its willingness to assist in addressing specific issues raised by investors to stimulate the development of our country, increase in the welfare of our people and the strengthening of statehood.*



*Sincerely yours,  
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### THE NAGORNO-KARABAKH REPUBLIC GENERAL CHARACTERISTICS

The Nagorno-Karabakh Republic (the NKR) or Artsakh is an independent, sovereign and legal state located in the Transcaucasia. It was formed on 2 September 1991 on the historical territory of Artsakh province of Great Armenia by proclaiming The Declaration of Independence as a manifestation of unity and freedom-loving spirit of the Armenian-populated part making the majority of Artsakh and the will to live in freedom, supported by the international right of nations to self-determination.

Artsakh is a mountainous country with rich and beautiful nature. It borders on the Republic of Armenia in the west, the Islamic Republic of Iran in the south and the Azerbaijan Republic in the north and east. The capital of the NKR is Stepanakert with the town-fortress of Shoushi being the cultural centre of the republic.

Historically Nagorno-Karabakh has been one of the provinces of Great Armenia. Its geographical location and political existence played an important role throughout the Armenian history leading to its emergence as the second Armenian state.

The border between Nagorno-Karabakh and Armenia is open with free two-way communication. Travelling from Goris (RA) by way of Berdzor and Shoushi you will have a sweeping panorama of Stepanakert.

There are no visa requirements for Armenian and CIS citizens. Citizens of other countries must have an entry visa, which can be easily got at the very border as well as in Yerevan, Washington D.C., Paris, Moscow and elsewhere at the NK Permanent Representations.

**BASIC INFORMATION**

Official name of the country	The Nagorno-Karabakh Republic
Capital city	Stepanakert
Independence Day	2 September, 1991
Head of state	President
Legislative body	The National Assembly
Head of government	Prime-Minister
Administrative-territorial division	8 regions (including Stepanakert with the status of a region)
Area	11.4 thou km <sup>2</sup>
Population	148.1 thou people (as of January 1, 2016)
State language	Armenian
Religion	Christianity (The Armenian Apostolic Church)
Currency	The Armenian Dram (AMD)
Time zone (UTC)	+4
National flag	
National coat of arms	

THE MAP OF THE  
NAGORNO-KARABAKH REPUBLIC



## ADMINISTRATIVE DIVISION

The territory of the Nagorno Karabakh Republic with its present borders includes the highland of historic Armenia - mainly Artsakh and partly Syunik provinces. The current administrative-territorial system of the NKR was determined by the law «On Administrative Division of the Nagorno Karabakh Republic» and includes 7 administrative regions and Stepanakert having the status of an administrative region. As of January 1, 2016 there are 264 communities (of which urban-13, rural-251). There are 13 towns (Stepanakert inclusive) and 363 villages.

Region	Area (km <sup>2</sup> )	Population (thou as of 01.01.2016)	Communities	Regional centers	Population (thou as of 01.01. 2016)
Stepanakert	29.1	55.8	1	Askeran	
Askeran	1191.4	18.1	42	Hadroust	2.3
Hadroust	1876.8	13.5	30	Martakert	3.9
Martakert	1795.1	20.4	43	Martouni	4.6
Martouni	951.2	20.9	35	Karvachar	4.7
Shahoumyan*	1829.8	3.3	52	Shoushi	0.8
Shoushi	382.7	5.5	7	Berdzor	4.2
Kashatagh	3376.6	10.6	54		1.9
<b>Total</b>	<u>11432.7</u>	<u>148.1</u>	<u>264</u>		

\*17 rural communities are temporarily under the adversary control

**Stepanakert:** The capital city of the NKR, Stepanakert, is one of the oldest settlements of historic Armenia. It occupies an area of 29.1 km<sup>2</sup> and has a population of 55,800 people. Stepanakert lies in the east of the Artsakh Mountains, on the left bank of the Karkar River, and 850 meters above the sea level. The area is wooded and the climate is mild. The perimeter of the town includes the settlements of Arme-navan, Krkzhan and Ajapnyak.

“We And Our Mountains” (1967), an obelisk by S. Barseghyan, located at the entrance to the city is known as the symbol of Artsakh.

The offices and representations of international and other organizations are based in Stepanakert. Stepanakert is an administrative, economic, cultural and educational center. The supreme bodies of state power, the judiciary, the institutions of high and higher education are mainly based here.

In 2015 the share of the main sectors of Stepanakert economy within the total volume of the republic's corresponding sectors made up 49.7 percent in industry, 2.1 percent in agriculture, 29.4 percent in construction, 74.8 percent in retail trade, 83.2 percent in services.

Several industrial enterprises are based in Stepanakert. They include marina-de, fruit and vegetables reprocessing, the production of juice, compote and alcoholic drinks, light industry, furniture production and others which make more than 48 percent of people employed in industry. 67 percent of all manufacturing industry production is made in Stepanakert.

To promote the development of textiles and knitwear industry the NK government formed business environment for industrial organisations on the territory of former Karabakh Silk Factory. Since 2013 textiles, thread, carpets and sewing production companies have been functioning on the territory.



**Askeran:** Askeran region borders on Martakert region in the north, Martouni in the south-east, Hadrout in the south, Shoushi and Kashatagh in the west. It occupies an area of 1191.4 km<sup>2</sup> and has a population of 18,100 people.



Askeran regional centre is 18 km to the north-east of Stepanakert on the left bank of the River Karkar. Askeran is famous for its Fortress Wall (Mayraberde, XVIII century) which stretches along the river.

Askeran Region is located in a favorable climatic zone, and particularly has developed plant cultivation, including grain, potato and vegetable production, wine making, as well as cattle farming. The main trend of the region's economy is processing industry, in which the greater share belongs to food processing including beverages, as well as wood processing.



In 2015 the specific weight of the main branches of the region's economy made up 5.7 percent in industry, 20.6 percent in agriculture, 3.4 percent in construction, 3.8 percent in retail trade and 2.8 percent in service out of the total volume.

**Hadroust:** Hadroust region is located in the south-west of the NKR at the height of 700-900 m. It borders on Martouni and Askeran regions in the north, Shoushi in the north-west, Kashatagh in the west, Iran in the south-east, Azerbaijan in the east. The region occupies an area of 1876.8 km<sup>2</sup> with a population of 13,500 people, 9.1 percent of the total population. The regional center is the town of Hadroust.

Wooded forests, thin forests, dry plains and subalpine landscapes are all typical for the region.

The primary branch of the region's economy is agriculture, in particular cattle farming, wine making, grain and vegetable production.

Food, wood processing and construction materials production is also developed.

In 2015 the specific weight of the main branches of the region's economy made up 3.0 percent in industry, 15.1 percent in agriculture, 2.9 percent in construction, 3.2 percent in retail trade turnover and 3.3 percent in service out of the total volume.

**Martakert:** Martakert region occupies the northern part of the territory of Nagorno-Karabakh in the basins of three rivers: the Tartar, the Khachen and the Kolatak. It has an area of 1795.1 km<sup>2</sup> and a population of 20 400 people. The regional center is the town of Martakert.

The region is divided into two parts by the Tartar, the largest and the longest river in Artsakh. The Sarsang Reservoir is built on it. The Mrav mountain range extends to the north of Martakert region. The eastern part of the area is mainly flat and fertile. The region is rich in copper, polymetals, gold and other metallic minerals,



Kataro Monastery, Hadroust Region

basalt, tufa, limestone, coal reserves.

Most of the region's territory is covered with forests and more than half of the republic's forests are found here. Wild fruit trees are very common in the woods.

In 2015, within the total volume of the corresponding sectors of the NK economy the industry in the region made up more than 26.6 percent, agriculture 11.9 percent, construction 42.8 percent, retail trade turnover 6.0 percent, service 2.8 percent.

Today, the industry has a significant place and role in the region. Foreign investments were mostly realised in this sector. The significant part of the republic's industrial production was secured due to the "Base Metals" mining company, a manufacturer of non-ferrous metals. The

region, which has the major potential in electricity generation, plays a crucial role in the energy sector as well. Sarsang hydroelectric power station, the main source of the energy power of the republic, is located in the region. Recently Mataghis-1, Mataghis-2, Trghi-1, Trghi-2, Trghi-3 small hydroelectric power stations have been added. New small stations are under construction.



Mataghis-1, a small hydroelectric power station, Martakert Region

**Martouni:** Martouni region borders on Askeran in the north and Hadrout in the south. The region has a population of 20,900 people and an area of 951.2 km<sup>2</sup>. The regional center is the town of Martouni.

The region's landscape is mainly presented by plains and lowlands. Favorable climatic conditions facilitate the development of agriculture. The region has a diverse agricultural industry, including grain production, wine making, gardening and cattle farming with all its sub branches. In 2015 about 22.3 percent of the republic's grain crops and 82 percent of gross grape harvest was produced here.

The primary branch of industry is food and beverages production.

In 2015 the specific weight of the main

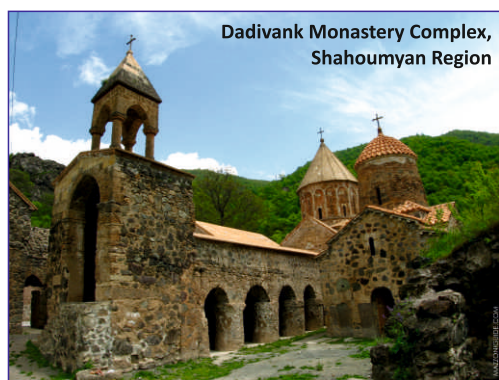


"RAPESEED" CJS, Martouni Region

branches of the region's economy made up 8.6 percent in industry, 23.3 percent in agriculture, 6.1 percent in construction, 8.3 percent in retail trade turnover and 5.2 percent in service out of the total volume.

Martouni region also has many historical and architectural monuments. Amaras Monastery and Skhtorashen`s two-thousand-year-old plane tree are located here.

**Shahoumyan:** Shahoumyan region occupies the northern and north-western part of the country. It borders on Martakert region in the east, Kashatagh in the south, Gegharkunik and Syunik provinces of Armenia in the north-west and south-west.



With a population of 3,100 people, it occupies an area of 1829.8 km<sup>2</sup>. The landscape is completely mountainous, all surrounded by the Eastern Sevan, Artsakh and Mrav mountain ranges and Karabakh plateau. The Tartar River with its numerous tributaries springs from here, the mountain valley of which is famous for its mild and healthy climate. Shahoumyan region is of strategic importance for the NKR.

The regional center is the town of Karvachar. The region abounds in historical and architectural monuments, the most famous of which are Dadivank, Handaber, Levonaber and others.

Nowadays the population of Shahoumyan is mainly engaged in agriculture, in particular grain and vegetable production, cattle farming, as well as food and building materials production.

In 2015 the specific weight of the main branches of the region's economy made up 0.5 percent in industry, 3.4 percent in agriculture, 1.0 percent in construction, 0.6 percent in retail trade turnover and 0.2 percent in service out of the total volume.

**Shoushi:** Shoushi region occupies a small area in the south-west of the republic, the central part of Karabakh mountain range. It is the smallest region of the NKR with an area of 382.7 km<sup>2</sup> and a population of 5,500 people. It borders on the

Askeran region in the north and east, Hadrout in the south and Kashatagh in the west. The region's landscape is completely mountainous, covered predominantly with woods and shrubs. Mets (Great) Kirs (2,725 m) is in the south of the region. The River Karkar with its tributaries, flowing through deep ravines, passes through the area.

The regional centre is Shoushi, a town-fortress. It is located 11 km south of Stepanakert, on the Goris-Stepanakert highway. The Ghazanchetsots Church of the Holy Savior (1868-1886) is the pride of the town.

Shoushi is considered a wonderful health resort and tourist destination due to its mild climate, picturesque nature and mineral waters. It has become the symbol of the national rebirth and a place of pilgrimage for tourists. Thousands of foreign and local tourists visit it every year.

During the recent years lots of construction work has been done here: residential buildings and those of social and industrial importance. The monuments of civil architecture with their typical style give a special flavor to the town-fortress. Presently there function three hotels, restaurants, centres of art, craft and tourism centres, “Naregatsi” Art Centre and the Museum of Arts. Recently the NK Ministry of Culture and Youth Affairs, the office of the ombudsman, and a number of educational institutions were moved to Shoushi.



In 2015 the specific weight of the main branches of the region's economy made up 0.9 percent in industry, 1.6 percent in agriculture, 4.2 percent in construction, 1.5 percent in retail trade turnover and 1.6 percent in service out of the total volume.

**Kashatagh:** Kashatagh is one of eight regions of the republic, the area of which is 3376.6 km<sup>2</sup>, the population is 10,600 people. The regional centre is the town of Berdzor. Kashatagh borders on Syunik in the west, Shahoumian and Martakert in the north, Askeran, Shoushi and Hadrout in the north-east, Iran in the south (with the River Araks).

Kashatagh mainly occupies the valley of the River Aghavno, which has a mild

climate. It is predominantly flat and thus good for land cultivation, in particular grain production (about 30.5 percent of the republic's grain production), fruit and vegetable (mainly potatoe) production, as well as for cattle farming (24.2%).



In 2015 the specific weight of the main branches of the region's economy made up 5.0 percent in industry, 22.0 percent in agriculture, 10.2 percent in construction, 1.8 percent in retail trade turnover and 0.9 percent in service out of the total volume.

During the recent years four small hydroelectric power stations were built on the River Aghavno with the transmission capacity of 100-130 MLN kWh which in its turn promotes the energetic independence growth of the republic.

In the framework of Artsakh repopulating programme a new village is being built on the bank of the Aghavno, nearby Goris-Stepanakert highway. Ariavan will have 50 houses with all necessary infrastructure according to the modern construction standards.

### **MAIN INDICATORS OF THE NK SOCIAL AND ECONOMIC SITUATION**

According to the NKR National Statistics Service during the last three years the Nagorno Karabakh Republic has registered continuous economic growth, on average by 9.1 percent, which led to the country's sustainable development and a significant improvement of living conditions.

In 2015 by its nominal index GDP amounted to 209.3 bn AMD versus 188.8 bn AMD in the previous year. The growth rate of GDP is 9.1%, the index-deflator 1.6 %. In 2015 GDP per capita was 1414.3 thou AMD, which is equal to 2959.3 USD or 1665.5 EUR versus to 1268.1 thou AMD/3048.9 USD/229.8 EUR in the previous year.

The NK economic growth is mainly influenced by the output of industry (the share in GDP is 16.4 %), agriculture (the share in GDP is 13.3 %), construction (the share in GDP is 13.3 %), trade and service (the share in GDP is 54.8%).

In 2015 the consumer price index was 100.2 percent.

### MAIN MACROECONOMIC INDICATORS

	2013	2014	2015
<b>GDP</b>			
In total (bn AMD)	168.6	188.8	209.3
Per capita (THOU AMD)	1137.9	1268.1	1414.3
Industrial output (bn AMD)	44.3	52.0	53.5
Agricultural output (bn AMD)	55.2	57.3	64.3
Construction (bn AMD)	45.2	49.7 <sup>#</sup>	50.1
Trade turnover (bn AMD)	113.5	116.26	116.34
Investments realized in real assets (bn AMD)	64.4	76.9	-
<b>Foreign trade turnover (MIL USD), of which</b>			
Export	59.6	64.7	62.1
Import	268.8	302.0	252.5
Consumer price index (December as to December of the previous year, %)	105,9	104.5	100.2
Average annual exchange rate for 1 USD, AMD	409.6	415.9	477.9

\*The data was verified by the National Statistics Service  
 - The data is being processed

In 2013-2015 the indicator of industrial growth averaged 10 percent. As of 2014 the index of physical volume of industrial production was 102.5 percent. About 40.1 percent of the country's industry goes to manufacturing industry which secured 6.8 percent growth as to the previous year.

The development of manufacturing industry based on domestic resources is of great importance for the NK government, food industry and light industry in particular.

In 2015 24.1 percent of the industrial output volume was made up by food industry, the volume of which has grown by 9.4 percent as to the previous year.





In manufacturing industry preference is also given to light industry as it plays a significant social role. The development in this sector can substantially contribute to the employment.

In 2015 the output of mining industry made up 24.2 percent of all industrial output, which decreased by 12.6 percent as to the previous year. As a result the total industrial output decreased

by 3.6 percent. It should be noted that in 2013 and 2014 mining industry secured rapid growth rates, 21.0 percent and 34.8 percent respectively.

The NK government pays great attention to the development of manufacturing infrastructure, especially the sphere of power industry. Using the hydroelectric potential of the republic a number of small hydroelectric power stations are under construction.

In 2015 the output of “The Supply of Electric Power, Gas, Steam and High Quality Air” Branch made up 34.3 percent of the total industrial output, which secured 9.3 percent growth as to the previous year.

The level of the produced goods realisation is very important for financial results of the industrial output and in 2015 it was 98.6 percent decreasing by 1.6 percent as to the previous year. That is to say that in 2015 out of 53.5 bn AMD worth finished products 52.8 bn AMD worth products were realised.

In the total number of industrial companies micro and small companies dominated, the specific weights of which were 54.5 percent and 37.7 percent respectively. It is noteworthy that micro and small enterprises, which constitute 92.2 percent of all business entities, produced only 33.6 percent of the total output while medium and large enterprises, constituting 7.8 percent, produced 66.4 percent and 68 percent respectively.



In 2013-2015 the average annual growth in agricultural industry was 6 percent. In 2015 the gross output of agriculture was 64.3 bn AMD increasing by 12.9 percent as to 2014. 52 percent of agricultural output was made by plant cultivation

and 48 percent by cattle farming in 2015.

In 2015 the gross output of agriculture was mainly presented by grain production (27.3%), meat production (26.3%) and dairy production (15.7%).

In 2013-2015 the average annual growth in the construction volume of the republic made up 10.3 percent.

In 2015 the volume of capital construction in the republic realised at the cost of all financial sources amounted to 50.1 bn AMD increasing by 1 percent as to the previous year.

36.4 percent of capital investments realised in the republic were made at the cost of organisations, 24.1 percent – the state budget, 17.2 percent – the foreign investments and humanitarian aid, 1.3 percent – funds of individuals, 20.9 percent – other.

In 2015 the volume of retail trade constituted 116.3 bn AMD and if compared to the same period in the previous year, it decreased by 4.1 percent. The total trade turnover volume is distributed between retail trade and wholesale trade, 79 percent and 21 percent respectively.

In 2015 the foreign trade turnover decreased by 14.2 percent of which export by 4.0 percent and import by 16.4 percent.

In 2015 the foreign trade turnover with the EAEU countries made up 142.2 bn AMD (297.6 bn USD) or 94.6 percent of the total turnover. As for other countries the turnover made up 8.1 bn AMD (17.0 MIL USD) or 5.4 percent.





## LABOR MARKET

Most of the population of the Nagorno-Karabakh Republic (148,1 thou people) are Armenians. There are also Russians, Ukrainians, Georgians and Greeks.



The education level of the population is quite high. As of the beginning of 2015-2016 academic year, the number of universities was five, two of which are public and three private. The number of students amounted to 4,758. There are also five state secondary specialized institutions with 1,648 students.

### Population employment indicators

	2013	2014	2015
Economically active population (thou people)	63.6	61.6	63.4
Average annual number of people employed in the economy(thou people)	61.0	60.1	62.2
The total number of officially registered unemployed (thou people)	2.6	1.5	1.2
Average monthly nominal wages of people employed in the economy (thou AMD)	128.6	141.2	151.1
The official unemployment rate (%)	4.0	2.5	1.9

## PROPERTY RIGHT

In the NKR the interests of owners are protected by the NK Constitution.

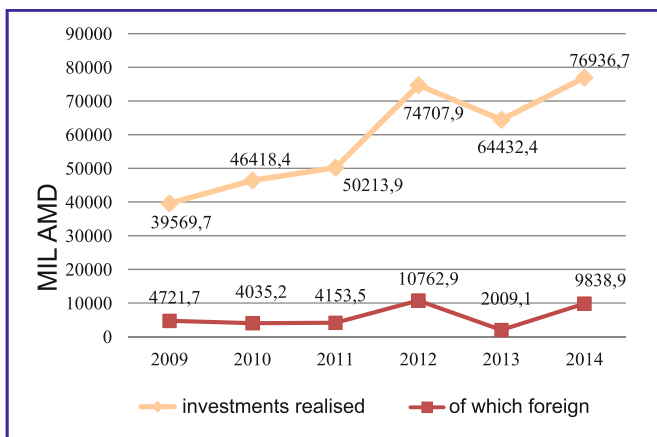
- Anyone in the Nagorno-Karabakh Republic has the right to freely own, use, dispose and inherit legally acquired property.
- The only types of property determined by law are those that can be run within state or community property. The rights of all owners are protected equally.
- The property right may be denied only by court in the cases stipulated by law.
- Alienation of property for public or state purposes may be carried out only in exceptional cases, in the manner prescribed by law and is to be compensated.
- Foreign residents and non-citizens do not have the right to land except for the cases stipulated by law.
- Authorities responsible for registration of rights to movable and immovable property ownership, rent, lease and mortgage are the NK State Committee of Real Estate Cadastral Administration and its territorial subdivisions, in the manner prescribed by the corresponding legislation.

## INVESTMENT ACTIVITY

Investment promotion is one of the key directions of economic policy of the NKR government. It is stipulated in the program of activities of the NK government. The basic principles of the NK investment policy are the following:

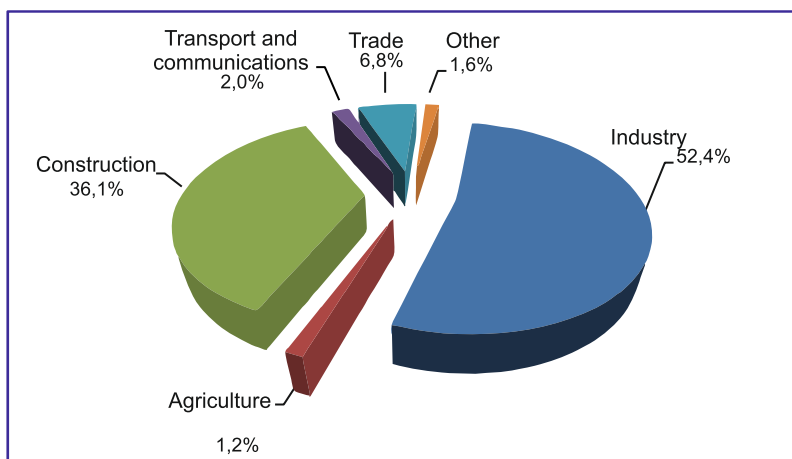
- Providing stability of legislation regulating investments;
- Providing equal, non-discriminatory environment for domestic and foreign investors;
- Establishing favorable conditions for investors;
- Applying liberal principles of economic activity in the investment field;
- Providing protection of investments and investors' interests;
- Adopting and applying international legal norms governing investments and internationally accepted practices.

### The dynamics of investments realised in real assets



In 2009-2014 the investments realised in real assets had a tendency to increase except for 2013. In 2014 they realised 76.9 bn AMD investments with an increase by 19.4 percent as to the previous year exceeding the level of 2012. In the given period the volume of foreign investments increased by 4.8 times.

### The structure of investments realised in real assets by sectors (2014)



In 2014 the share of investments realised in real assets is 52.4% in the sphere of industry and 36.1% in construction.

Foreign investments in the NKR are guaranteed by law “On foreign investments” (1995), which defines certain allowances and guarantees to boost investment growth.

The legal regime of foreign and related investments in the Nagorno Karabakh

Republic cannot be less favorable than that of property, property rights and investment activities for the NK citizens, enterprises, institutions and organizations.

To encourage social and economic development in the most important spheres, additional allowances for foreign investments may be established in accordance with the NK legislation.

The NK legislation may define the territories, where in view of national security requirements the activities of foreign investors and businesses running on foreign investments are restricted or prohibited.

In case the NK legislation regulating foreign investments is changed, the foreign investor may choose to keep to the legislation that was in effect at the moment of making the investment for the next 10 years.

Foreign investors can make investments in Karabakh through the establishment of companies with foreign ownership (including representative offices and branches), the purchase of existing companies or the establishment of joint ventures. Foreign investments in the Nagorno Karabakh Republic are not subject to nationalization. State bodies can not expropriate foreign investments either. Expropriation as an exceptional measure is allowed only in emergency situations defined by the NK legislation, by court order and is subject to full compensation.

Foreign investors can make investments in Nagorno-Karabakh in foreign currency, other valuables, in national currency, movable and immovable property, any property right associated with it, shares, bonds and other securities, in the form of monetary claims and claims to implement commitments with a contractual value, any valuable intellectual property right, paid services, and any other types of investments not prohibited by the NK laws.

There is no restriction to the type and amount of foreign investments, the entry of foreign workers and financial resources. Foreigners can only rent land, but the company registered by a foreigner, as an Armenian business legal entity, has also the right to buy land.

Foreign investors are entitled to use renewable and non-renewable natural resources on the basis of concession contracts, which are signed with foreign investors by the NK Government or another authorized state body in the manner determined by the NK legislation on concessions.

After paying out taxes and other fees established by the NK legislation, the profit (income) of foreign investors remains at their disposal. Foreign investors are entitled to open current, settlement or other accounts in Armenian banks and in accordance with the NK legislation use their legally obtained funds for purchasing foreign currency or goods in the NK domestic market.

The property imported by foreign investors as an authorized capital for an

enterprise running on foreign investments, as well as any property necessary for their own production is exempt from customs duties.

Foreign investors are given guarantees for the export of property, profits (income) and other funds related to foreign investments.

### COMPANIES ESTABLISHMENT

The NK legislation provides the same legal guarantees and protection to both foreign and local businesses.

The NK Civil code suggests the following general types of legal entities:

- joint-stock company (open and closed);
- limited liability company;
- additional liability company/joint venture (general and limited)

Indicators	Average Costs	
	/THOU AMD/	/USD/*
Registration of trade company	17.0	36.0
The minimal authorised capital of trade company	Not assigned	
Registration of company's movable property (agricultural, road construction, building and other machinery)	5.0-12.0	11.0-25.0
State registration of rights to movable property (except for agricultural purposes)	30.0-60.0	63.0-126.0
State registration of rights to land for agricultural purposes	5.0-10.0	11.0-21.0

\* Calculation was based on the Central Bank exchange rate as of August 25, 2016- 474.68 AMD/1 USD

## LICENSING PROCEDURE

Some types of business activities in Nagorno-Karabakh are subject to licensing which is regulated by the NK law “On licensing”. There are simple and complex licenses.

Simple license	Complex license
The license is granted without a term and the ruling of the Licensing Committee	The license is granted on the basis of the ruling of the Licensing Committee
The license is granted by the NK Ministry of Finance after submitting the required documents within 5 (five) working days	The license is granted by the corresponding authorized state body or bodies after submitting the application within 23 (twenty-three days)

The annual rates of state fees established for certain types of activities subject to licensing are presented below.

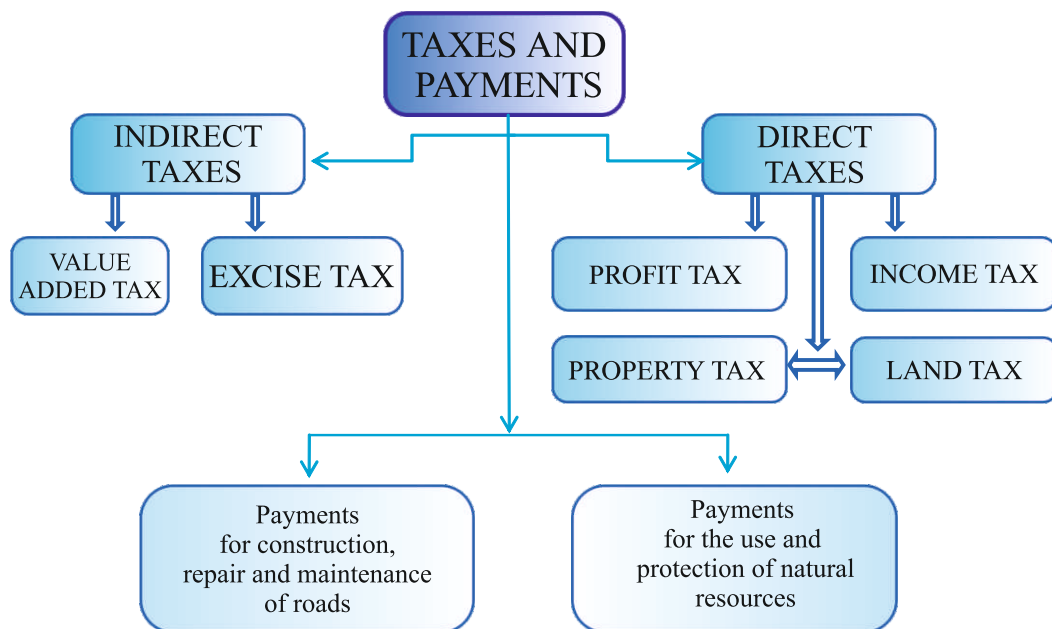
Activities subject to licensing	Type of license	Annual rates of state fees	
		/THOU AMD/	/USD/*
<b>Urban development</b>			
Capital construction by civil, transportation, hydro technical, power energy and communication sectors	complex	100,0	211,0
<b>Food production</b>			
Production of distilled alcoholic drinks	simple	50,0-3000,0	105,0-6320,0
Production of wine, cider, other fruit/berry wine	simple	25,0	53,0
Production of beer	simple	100,0	211,0
<b>Agriculture</b>			
Production of bio drugs for veterinary purposes	complex	100,0	211,0
Production of cultivated grain seeds (corn inclusive)	complex	30,0	63,0
<b>Power energy</b>			
Construction and repair of electric power stations, production of electric power	complex	50,0-6000,0	105,0-12640,0
Construction and repair of thermal stations, production of thermal power	complex	50,0	105,0
<b>Communication</b>			
Operation of public electronic communication network	complex	100,0-600,0	211,0-1264,0
Provision of data transmission and Internet access services	simple	20,0	42,0
<b>Healthcare</b>			
Production of drugs	complex	200,0	421,0

\* Calculation was based on the Central Bank exchange rate as of August 25, 2016- 474.68 AMD/1 USD

### ENTERPRISES TAXATION

General system, trade and fixed payments taxation regimes are in force in the Nagorno Karabakh Republic.

Companies running on foreign investments like the local ones are subject to the same tax regime. The NK legislation defines the following types of taxes and obligatory payments:



In some cases instead of the profit tax /income tax and VAT (value added tax) the following payments and taxes are applied:

- fixed payments
- patent payments
- trade tax

The border of the Nagorno-Karabakh Republic is not a customs border. Customs operations are issued on the customs border of the Republic of Armenia. Accordingly, in the Nagorno-Karabakh Republic customs duties are not charged.

## TAXES AND PAYMENTS RATES

TAXES AND PAYMENTS		TAX BASE	RATE
<i>Profit tax</i>	Taxable profit	For residents	10%
		For credit companies, banks, insurance and reinsurance organizations, professional participants of security market, pawnshops, persons engaged in the foreign currency purchase and sale and broker-dealer purchase and sale of foreign currency, the mining of metallic minerals and /or manufacturing/reprocessing of metal concentrate production and/or manufacturing/reprocessing of fuel and energy raw materials, organizations licensed in the field of telecommunications (electronic communications) (except data transmission and Internet access services)	20%
<i>Income tax</i>	Taxable income	Wage and salary workers' income	21%
		The insurance contributions of foreign citizens and commission income for transportation	5%
		Interest received	5%
		Royalties from individuals who are not private entrepreneurs, the income received for the lease of property and commission income from the purchase of property from individuals	6%
<i>VAT</i>	Taxable turnover		20%
<i>Excise tax</i>	There are different rates set for units of taxable goods (liter, kg, ton)		



<b>TAXES AND PAYMENTS</b>	<b>TAX BASE</b>	<b>RATE</b>
<i>Property tax</i>	Evaluated cadastral value for social and productive structures	0.3%
	Evaluated cadastral value for residential buildings	0-0.8 % (depending on the type of the building and its cost)
	For vehicles – the engine power(per horsepower)	40-1000 (depending on the type of the building and its cost)
<i>Land tax</i>	Evaluated cadastral net income for agricultural land	10%
	Evaluated cadastral value for non-agricultural land	0.5%; 1%
<i>Trade tax</i>	Sales turnover	3%
<i>Fixed payments</i>	There are different rates set for certain types of activities in the sphere of services	
<i>Patent payments</i>	There are different payments set for certain types of activities	

PAYMENTS AND CALCULATION BASE		RATE
<b><i>Payments for construction, repair and maintenance of roads</i></b>		
Automobile transportation services	revenue	2%
The mining industry	revenue	1%
Other activities	revenue	0,4%
<b><i>Payments for the use and protection of natural resources</i></b>		
<b><i>Payments for the protection of natural resources</i></b>	For emissions of harmful substances into the environment (air and water)	Rates set by law
	For the location of production and consumption wastes in the environment in the prescribed manner	
	For goods harmful to the environment	
<b><i>Payments for the use of natural resources</i></b>	For the use of water resources	Rates set by the NKR government ruling
	For the use of the depleted solid minerals and mined reserves of underground fresh and mineral waters and salts	
	For the use of biological resources	

### INVESTMENT ALLOWANCES

The NK legislation established certain allowances to stimulate investment growth, in particular:

**According to the NK law “On income tax” the following allowances are set:**

If the total sum of actually realized investments made on the part of founders (participants) in the charter capital of a resident\* at the moment of state registration or during the following three years amounts to 100 million AMD and more, the amount of income tax of the resident is reduced by 100% during the first three years from the date of investment and by 50% during the following two years, but not more than 10% of the total cost of the investment.

\* Except for credit companies, banks, insurance and reinsurance organizations, professional participants of security market, pawnshops, persons engaged in the foreign currency purchase and sale and broker-dealer purchase and sale of foreign currency, the mining of metallic minerals and /or manufacturing/reprocessing of metal concentrate production and/or manufacturing/reprocessing of fuel and energy raw materials, organizations licensed in the field of telecommunications (electronic communications) (except data transmission and Internet access services)

**According to the NK law “On profit tax”, “On income tax” and “On value added tax” the mentioned taxes are not imposed on:**

Taxpayers engaged in agricultural production regarding the income received from the sale of their own agricultural products.

Taxpayers marketing their own handmade carpets weaved in Artsakh.

**Reimbursement of value added tax**

Since 2015 there has been a new program for reimbursement of value added tax, according to which legal entities and individuals engaged in processing of agricultural products in the NKR are reimbursed the amount of value added tax from the sale of these products paid to the NK budget.

Dividends received by individuals (including foreign ones) are not subjected to taxation.

## BANKS

The Armenian dram, the currency of the Republic of Armenia, is in circulation in the NKR. 9 banks, 3 credit institutions, and 6 insurance companies function on the territory of the NKR.

Physical and legal entities as well as private entrepreneurs can open bank accounts in commercial banks, make deposits in national and foreign currency and realise money transfers (through different systems).

Commercial banks offer different types of credits, in particular, consumer, commercial (business) and mortgage credits, as well as credit lines to physical and legal entities, and private entrepreneurs. Credits are provided in the Armenian dram and foreign currency, in cash and non-cash.

Plastic card system is also introduced in the NKR, and the acting banks and branches serve both ArCA and a number of international plastic cards.

Banking services	Type of service	Interest rate (%)	Down payment (%)	Term (months)	Amount	Subject of pledge
Business loans	Business loans	12-22	-	up to 120		Movable and immovable property, fixed assets, finished commodity, goods in circulation, etc.
	with state support	8		up to 120		
Mortgage Loans*	For purchase and construction of immovable property	12-15	20-50	up to 300	up to 150 MIL AMD	Immovable property
	with state support	6-9	10-30	up to 300	Up to 100 MIL AMD	
	For the repair of apartments, houses	12-18		up to 120	Up to 20 MIL AMD	
with state support	9		Up to 7 MIL AMD			
Deposits	AMD / USD / EUR / RUR	9.0-14.6 2.0-9.0	-	1-60	Starting from 50,000 AMD	
Plastic cards service	ArCa, Master Card, Visa					
Money transfer systems	SWIFT, MONEYGRAM, ANELIK, INTEL EXPRESS, UNISTREAM, CONVERSE TRANSFER, SIGUE, RIA, BEST etc.					

\*More affordable terms of mortgage loans are defined for some social groups, i.e. with 0-10% down payment interest-free loans.

## ASSISTANCE TO INVESTORS

Being the main institution involved in the program of state support for entrepreneurship development in the Nagorno Karabakh Republic and attaching great importance to the role of investments in economic development and improvement of living standards, Artsakh Investment Fund is ready to assist those interested in investing in various sectors of national economy in the following directions:

Providing information on:

- investment attractiveness of different sectors of the NK economy;
- markets, specified by investors;
- procedure for establishing business entities;
- tax, customs and labor legislation;
- other elements of the business environment.

Financial intermediation:

- establishment of joint ventures;
- attraction and provision of loan funds;
- personnel training and qualification;
- other various intermediary operations.

Technical intermediation:

- ensuring contacts, arranging meetings with potential partners;
- making proposals for office and production areas;
- personnel recruitment and performance of other intermediary work.

## BUSINESS IDEAS

The following is a list of business ideas, the implementation of which is preferable in the Nagorno Karabakh Republic

N/N	Business Ideas
a) using local natural resources (raw materials)	
1.	Production of cement
2.	Production of electric power, construction of small hydroelectric power stations
3.	Production of ceramic tiles from clay
4.	Production of glass from quartz sand
5.	Production of trim stone, curb slab and plastering materials from quartz sand
6.	Production of building materials and insulators on the basis of perlite
7.	Manufacture of wood and products of wood
8.	Production of herbal tea
b) using locally produced raw materials	
9.	Production of meat products (canned meat, ham, sausages, frankfurters, etc.)
10.	Production of dried fruit
11.	Production of frozen fruit and vegetables
12.	Production of confectionery
c) using imported raw materials or other resources	
13.	Production of sandwich-type wall blocks
14.	Production of finishing materials
15.	Production of corrugated packaging materials
16.	Production of caramel
d) other sectors	
17.	Establishment of seed farm
18.	Establishment of a computer programming center
19.	Establishment of spa complexes
20.	Establishment of health resorts
21.	Establishment of cardiologic center
22.	Provision of tour operator services
23.	Establishment of diagnostic center
24.	Establishment of entertainment complexes
25.	Provision of water supply (irrigation) services
26.	Provision of veterinary services
27.	Construction of warehouses for storing agricultural products, 100-200 tn capacity refrigerators, grain elevators, storage modules for seeds
28.	Construction of irrigation systems and water reservoirs
29.	Organization of housing construction

**THE NK OUTPUT PRODUCTION IN  
PHYSICAL TERMS BY CERTAIN TYPES OF ECONOMIC ACTIVITY (2015)**

<b>Type of production</b>	<b>2015</b>
Electric power, MIL kWh	221.3
Concentrate, wet ton unit	24039.1
Lumber, m <sup>3</sup>	4066.5
Oak barrels, thou L	54.6
Parquet flooring, m <sup>2</sup>	1467.6
Facing slabs from natural stone , m <sup>2</sup>	26099.4
Trim stones ,RMT	5742.2
Window frames , m <sup>2</sup>	7310.7
Meat, tn	1256.6
Milk and dairy, tn	2978.8
Cheese, tn	153.7
Bread and bakery, tn	19474.1
Vodka, thou dal	57.0
Brandy, thou dal	1.9
Grape wine, thou dal	13.6
Butter, tn	27.6
Flour, tn	8301.0
Pasta, tn	123.0
Vegetable oil, thou L	1035.0
Polyethylene tubes, thou RMT	165.9

## THE STRUCTURE OF THE NK FOREIGN TRADE (2015)

Ծ/Ծ	Group	Export	Import
		THOU AMD	THOU USD
	<b>Total</b>	<b>62082.2</b>	<b>252474.9</b>
I	<i>Live animals and products of animals origin</i>	4110.0	7211.8
II	<i>Products of vegetables origin</i>	6438.6	17554.4
III	<i>Oils and fats of animal and vegetable origin</i>	746.5	1636.0
IV	<i>Ready food stuff</i>	4706.3	40785.7
V	<i>Mineral products</i>	25256.2	50094.7
VI	<i>Products of chemical industry</i>	80.0	18709.6
VII	<i>Plastic and products of plastic, caoutchouc and rubber</i>	42.1	1956.5
VIII	<i>Leather and products of leather, fur</i>	22.6	589.0
IX	<i>Wood and wood products</i>	998.4	1448.5
X	<i>Paper and paper products</i>	21.3	1505.8
XI	<i>Spinning tools and products</i>	1146.5	9268.8
XII	<i>Shoes, umbrellas, hats</i>	1349.4	1865.1
XIII	<i>Products of stone, plaster, cement</i>	356.7	5954.6
XIV	<i>Precious and semi-precious stones, precious metals and products</i>	9673.0	2543.2
XV	<i>Base metals and products</i>	173.0	9642.3
XVI	<i>Cars, equipment and machinery</i>	4778.6	39343.8
XVII	<i>Vehicles</i>	1515.5	22974.4
XVIII	<i>Hardware and appliances</i>	52.8	1402.9
XIX	<i>Furniture, toys, other products</i>	613.9	17971.9
XX	<i>Works of art, antiques</i>	0.8	15.9



**MARKET PRICES FOR THE REAL PROPERTY PURCHASE (2015)**

Towns	Apartment building (1m <sup>2</sup> USD) on average	House (200 m <sup>2</sup> ) with plot of land (600m <sup>2</sup> ) (USD) on average
Stepanakert /primary market/	772,1	
Stepanakert /secondary market/	491,9	
Stepanakert / primary and secondary market/	614,9	68572,5
Askeran	130,6	10322,7
Martouni	118,5	8795,4
Martakert	62,4	5056,0
Hadrout	64,6	4687,4
Shoushi	187,5	10480,7

\* Calculation was based on the Central Bank exchange rate as of August 25, 2016- 474.68 AMD/1 USD

**USEFUL LINKS:**

The Office of the NK President	<a href="http://www.president.nkr.am">www.president.nkr.am</a>
The NK Government	<a href="http://www.gov.nkr.am">www.gov.nkr.am</a>
The NK Ministry of Labour and Social Affairs	<a href="http://www.mss.nkr.am">www.mss.nkr.am</a>
The NK Ministry of Foreign Affairs	<a href="http://www.nkr.am">www.nkr.am</a>
The NK Ministry of Finance	<a href="http://www.minfin.nkr.am">www.minfin.nkr.am</a>
The NK State Tax Service	<a href="http://www.tax.nk.am">www.tax.nk.am</a>
The NK Ministry of Agriculture	<a href="http://www.minagro.nkr.am">www.minagro.nkr.am</a>
The NK Ministry of Urban Planning	<a href="http://www.mudnkr.am">www.mudnkr.am</a>
The NK Ministry of Economy	<a href="http://www.mineconomy.nk.am">www.mineconomy.nk.am</a>
The NK National Statistics Service	<a href="http://www.stat-nkr.am">www.stat-nkr.am</a>
The NK State Committee of Real Estate Cadastral Administration	<a href="http://www.nkrcadastre.am">www.nkrcadastre.am</a>
The NK Tourism Department	<a href="http://www.karabakh.travel">www.karabakh.travel</a>