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Notification

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LAW OF THE REPUBLIC OF ARMENIA ON FOREIGN INVESTMENTS

LAW
ON FOREIGN INVESTMENTS

The Draft Law was adopted by the Supreme Council of the Republic of Armenia 4 July 1994 H.N-1093-1

This Law shall establish the implementation, legal, economic and organisational grounds for making foreign investments in the territory of the Republic of Armenia and shall be aimed at ensuring the rights, legal interests, property protection of foreign investors, at creating preconditions for attracting foreign material and financial resources, introducing and effectively using advanced technologies, management and organisational practices.

SECTION 1

GENERAL PROVISIONS

Article 1 Main concepts used in this Law

“Foreign investor” shall mean any foreign State, foreign legal person, foreign citizen, stateless person, citizen of the Republic of Armenia permanently residing outside the territory of the Republic of Armenia, as well as any international organisation which makes, in accordance with the legislation of the country of its location, investments in the Republic of Armenia.

“Foreign investment” shall mean any type of property, including financial means and intellectual values, which is being directly invested by a foreign investor in the field of entrepreneurial and other activities implemented in the territory of the Republic of Armenia in order to gain profit (income) or to achieve any other beneficial result.

“An enterprise with foreign investments” shall mean an enterprise of any organisational legal type created in compliance with the legislation of the Republic of Armenia, the founder or participant whereof is a foreign investor.

Article 2 Legal regulation of foreign investments

The relations pertaining to foreign investments in the Republic of Armenia shall be regulated by this Law, as well as other legislative acts of the Republic of Armenia and international treaties.

Where the international treaties of the Republic of Armenia provide for rules other than those contained in this Law, the rules of the international treaties shall apply in respective cases.

Article 3 Types of foreign investments

Foreign investors may make investments in the territory of the Republic of Armenia by means of:

- (a) foreign currency, other currency values and the national currency of the Republic of Armenia;
- (b) moveable and immovable property (premises, buildings, equipment and other material values) and any property right related thereto;
- (c) shares, bonds, other securities prescribed by the legislation of the Republic of Armenia;
- (d) monetary claims and right to claim the performance of contractual obligations;
- (e) any valuable intellectual property right;
- (f) right to engage in economic activities provided for by the legislation of the Republic of Armenia or a contract, including the right to explore, extract, process or exploit natural resources;
- (g) paid services;
- (h) any types of investments not prohibited by the legislation of the Republic of Armenia.

Implementation of established types of foreign investments may be prohibited or restricted only as prescribed by the legislation of the Republic of Armenia. .

Article 4 Methods of implementing foreign investments

Foreign investors shall be entitled to make investments by the following methods:

- (a) establishment of enterprises entirely owned by foreign investors, as well as establishment of divisions, branches and representations owned by foreign legal persons or acquisition of ownership over operating enterprises;
- (b) establishment of new enterprises with participation of legal persons, enterprises not possessing the status of a legal person, of the Republic of Armenia, or with participation of the citizens of the Republic of Armenia, or acquisition of shares in operating enterprises;
- (c) acquisition, within the framework of the legislation of the Republic of Armenia, of shares, bonds and other securities prescribed by the legislation of the Republic of Armenia;
- (d) acquisition of the right to land use either independently or with participation of legal persons or enterprises not possessing the status of a legal person, of the Republic of Armenia, as well as with participation of the citizens of the Republic of Armenia and acquisition of concessions to use natural resources in the territory of the Republic of Armenia;
- (e) acquisition of other property rights;
- (f) other methods not prohibited by the legislation of the Republic of Armenia, particularly based on the contracts concluded with legal persons, enterprises not possessing the status of a legal person, of the Republic of Armenia, as well as with the citizens of the Republic of Armenia.

Making foreign investments by established methods may be prohibited or restricted only as prescribed by the legislation of the Republic of Armenia.

Article 5 Appraisal of foreign investments

Foreign investments shall be appraised in freely convertible foreign currency or national currency of the Republic of Armenia, if the foreign investor so wishes.

Foreign currency shall be calculated in national currency of the Republic of Armenia at the exchange rate not higher than the average currency rate established, against foreign currency, in the currency market and published by the Central Bank of the Republic of Armenia at the time of making investment in the territory of the Republic of Armenia.

(Article 5 amended by HO-149-N of 9 April 2007)

SECTION 2

STATE GUARANTEES FOR THE PROTECTION OF FOREIGN INVESTMENTS

Article 6 Legal regime on foreign investments

The legal regime on and related to foreign investments may not be less favourable in the Republic of Armenia than the regime covering property, property rights and investment activities of the citizens, enterprises, institutions and organisations of the Republic of Armenia.

In order to encourage foreign investments in the most significant fields of social and economic development, additional privileges may be established as prescribed the legislation of the Republic of Armenia.

The legislation of the Republic of Armenia may specify the areas wherein, given the requirements of national security, the activities of foreign investors and enterprises with foreign investments are restricted or prohibited.

Article 7 Guarantees in the event of amendments made to the legislation of the Republic of Armenia

In the event of amendments made to the legislation of the Republic of Armenia covering foreign investments, the legislation in force at the time of making investments shall, within a period of five years since making investments, apply if the foreign investor so wishes.

Article 8 Guarantees against nationalisation and confiscations

Foreign investments in the Republic of Armenia shall not be subject to nationalisation.

State bodies may not confiscate foreign investments either. Seizure shall be permitted, as an exceptional measure, only in case of state of emergency specified by the legislation of the Republic of Armenia, based on the judgment of a court and with full compensation.

Article 9 Compensation for damages caused to foreign investors

Foreign investors shall be entitled to compensation, through judicial procedure, for the material and moral damages, including lost benefit, which were caused as a result of the actions, contradicting the legislation of the Republic of Armenia, taken by state bodies of the Republic of Armenia or the officials thereof, as well as improper fulfilment, by these bodies or officials thereof, of obligations prescribed by the legislation of the Republic of Armenia against foreign investors or enterprises with foreign investments.

All damages, borne by foreign investors, which were caused to them as a result of the actions referred to in Article 8 and part 1 of Article 9 of this Law, shall be subject to immediate compensation at current market prices or prices determined by independent audits conducted either in a currency of the investment made or in any other currency mutually agreed by the parties.

Interests shall be calculated against the amount of compensation for the period between the moment of arising of the right to compensation until the moment of its implementation, at current rates for fixed-term deposits existing on the loan market of the Republic of Armenia.

Article 10 Disposal of the profit (income) and other means of a foreign investor

The profit (income) of a foreign investor shall, after paying the taxes and other fees established by the legislation of the Republic of Armenia, remain under the disposal thereof.

Foreign investors shall be entitled to open in the banks of the Republic of Armenia current, settlement or other accounts authorised by the legislation of the Republic of Armenia as prescribed by the legislation of the Republic of Armenia.

Foreign investors shall be entitled to use, as prescribed by the legislation of the Republic of Armenia, their legally gained means, on the domestic market of the Republic of Armenia or for the purpose of obtaining goods.

Article 11 Guarantees on the export of property, profit (income) and other means related to foreign investments

Foreign investors and foreign recruited employees shall be entitled to and shall be provided with the guarantee to freely export their property, profit (income) and other means legally gained, as a result of investment, in the form of investment outcomes or remuneration for work or compensation provided for by Article 9 of this Law.

SECTION 3

ESTABLISHMENT OF ENTERPRISES WITH FOREIGN INVESTMENTS AND TERMINATION OF THE ACTIVITIES THEREOF

Article 12 Establishment and registration of an enterprise with foreign investments

Enterprises with foreign investments, their divisions, branches, representations and economic associations of enterprises shall be established and registered as prescribed by Law of the Republic of Armenia "On enterprises and entrepreneurial activities" and other legislative acts of the Republic of Armenia.

Article 13 Termination of activities of an enterprise with foreign investments

Activities of an enterprise with foreign investments, those of its divisions, branches and representations, shall be terminated under the procedure and in the cases provided for by founding documents thereof and the legislation of the Republic of Armenia.

SECTION 4

CONDITIONS OF OPERATION OF ENTERPRISES WITH FOREIGN INVESTMENTS AND FOREIGN INVESTORS

Article 14 Scope of activities of enterprises with foreign investments

Enterprises with foreign investments may carry out any economic activity that complies with the objectives stated in the charter of an enterprise with foreign investments and is not prohibited by the legislation of the Republic of Armenia.

Enterprises with foreign investments may carry out individual types of economic activities prescribed by the legislation of the Republic of Armenia only after obtaining a licence in a prescribed manner.

Article 15 Customs taxation

The import of goods, by an enterprise with foreign investments, included in the list established by the Government of the Republic of Armenia, aimed at replenishing the authorised capital thereof, shall be exempt from customs duties. Where such goods are alienated within three years after benefiting from this privilege, the amount of the customs duty, including the penalties estimated for delayed payments, shall be charged under the general procedure prescribed by customs legislation.

The property imported, in the form of foreign investment, into the Republic of Armenia on an international contractual basis, shall be exempt from customs duties within the time limits established by corresponding contracts.

Property imported into the Republic of Armenia by foreign employees of enterprises with foreign investments and those intended for personal needs, shall be exempt from customs duties.

(Article 15 edited by HO-86-N of 13 December 2000)

Article 16 Export and import of products (works and services)

Enterprises with foreign investments shall be entitled to export their own products (works and services) and to import products (works and services) for their own needs, without any licence, except for the cases provided for by the legislation of the Republic of Armenia and by international treaties. The procedure for recognising the exported products (works, services) as own products, shall be established by the legislation of the Republic of Armenia.

The imported products (works, services) envisaged for the own needs of an enterprise, shall be recognised as its own product, as prescribed by the legislation of the Republic of Armenia.

The profit (income), including currency, gained, by mentioned enterprises, from the export of their own products (works, services) following the payment of taxes provided for by the legislation of the Republic of Armenia, shall remain at the disposal thereof.

Other products (works, services) shall be exported and imported by the enterprises with foreign investments on general grounds, as prescribed by the legislation of the Republic of Armenia.

Article 17 Taxation of enterprises with foreign investments

Enterprises with foreign investments shall pay taxes and shall be granted tax privileges, as prescribed by the legislation of the Republic of Armenia.

Article 18 Establishment of privileges for enterprises with foreign investments

Privileges prescribed by this Law shall extend to the enterprises with foreign investments, wherein such investments constitute at least thirty per cent at the time of establishment.

For the purpose of balance sheet evaluation and record-registration, an enterprise with foreign investments shall make a recalculation of foreign currency at the exchange rate of the Armenian Dram which is determined under Article 5 of this Law and other legal acts of the Republic of Armenia.

Article 19 Property rights over land and other natural resources

The acquisition by foreign investors of property rights over land and other natural resources shall be regulated by relevant

legal acts of the Republic of Armenia.

Article 20 Leasing of property

Property shall be leased to foreign investors and enterprises with foreign investments on the basis of lease contracts, as prescribed by the legislation of the Republic of Armenia.

Article 21 Concession contracts

Any foreign investor shall be reserved with the right to exploit renewable and non- renewable natural resources on the basis of concession contracts concluded with foreign investors by the Government of the Republic of Armenia or another state body authorised therefor, as prescribed by the legislation of the Republic of Armenia on concessions.

Article 22 Intellectual property rights

The exercise and protection of intellectual property rights of foreign investors shall be ensured by the legislation of the Republic of Armenia.

Article 23 Insurance of property and risks

Insurance of the property and risks of foreign investors shall be carried out at their discretion, unless another procedure is established the legislation of the Republic of Armenia.

Article 24 Procedure for dispute resolution

All disputes arising between foreign investors and the Republic of Armenia in respect of foreign investments shall be considered at the courts of the Republic of Armenia, as prescribed by the legislation of the Republic of Armenia.

The disputes related to foreign investments, to which the Republic of Armenia is not a party, shall be considered, in accordance with the legislation of the Republic of Armenia, at the courts of the Republic of Armenia or other bodies for economic dispute settlement, as well as at mediation courts — should the parties have so agreed, unless another procedure is established by international treaties or by the

preliminary agreement (founding documents, economic contracts, etc.) reached by disputing parties.

(Article 24 amended by HO-66-N of 25 December 2006)

Article 25 Liability and obligations of foreign investors

Foreign investors shall be subject to liability for violation of the legislation of the Republic of Armenia, as prescribed by the legislation of the Republic of Armenia.

The property of a foreign investor, including invested funds, property rights may be used thereby as a guarantee for the obligations thereof.

**President
of the Republic of Armenia**

L. Ter-Petrosyan

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City of Yerevan,
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