

**LAW**  
**OF THE REPUBLIC OF ARMENIA**

Adopted on 4 October 2016

**TAX CODE OF THE REPUBLIC OF ARMENIA**

**PART 1**

**GENERAL PART**

**SECTION 1**

**CONCEPTS AND TAX SYSTEM**

**CHAPTER 1**

***GENERAL PROVISIONS***

**Article 1.           Subject matter of Tax Code**

1. The Tax Code (hereinafter referred to as “the Code”) regulates the relations (hereinafter referred to as “tax relations”) related to the taxes applied in the Republic of Armenia (hereinafter referred to as “taxes”) and fees provided for by the Code (hereinafter referred to as “fees”), prescribes the principles of the tax system of the Republic of Armenia, the concepts of tax and fee, the types thereof, the scope of taxpayers, tax rates, the procedure and terms of tax calculation, payment, and, in cases prescribed by the Code, levying tax liabilities, as well as defines the principles of tax benefits.

2. The scope of payers of fees, payment rates, procedure and terms of calculation, payment and collection of fees, as well as benefits related thereto shall be prescribed by the Code or the laws of the Republic of Armenia.

3. Tax relations are the relations related to the record-registration and servicing of taxpayers, defining, calculation and payment of taxes and fees, record-keeping of tax liabilities, and, in cases prescribed by the Code, levying, compensation of taxes and fees, defining tax benefits, laying down the rights and obligations of taxpayers, tax and authorised bodies, exercise of tax control, application of sanctions for violating the provisions of the Code and laws of the Republic of Armenia on fees, ensuring fulfilment of tax liabilities, as well as settlement of tax disputes.

4. The types of customs fees, the scope of payers, rates, the procedure and terms of calculation and payment, as well as the benefits shall be prescribed by the customs legislation of the Republic of Armenia, unless otherwise provided by the Code.

## **Article 2. Regulation of tax relations**

1. In the Republic of Armenia tax relations shall be regulated by the Constitution of the Republic of Armenia, the international treaties ratified by the Republic of Armenia, the Code, the laws of the Republic of Armenia on fees, secondary legal acts adopted based thereon for ensuring the implementation thereof, as well as legal acts specified by points 1-6 of part 3 of this Article (hereinafter referred to as “legal acts regulating the tax relations”).

2. The tax relations shall be regulated by the laws of the Republic of Armenia on fees and secondary legal acts prescribed by part 1 of this Article only in cases and within the scopes prescribed by the Code.

3. Tax relations shall not be regulated by the legal acts other than those prescribed by part 1 of this Article, except for:

- (1) The Code of the Republic of Armenia on Administrative Offences;
- (2) Law of the Republic of Armenia “On fundamentals of administration and administrative proceedings”;
- (3) Criminal Code and Criminal Procedure Code of the Republic of Armenia;
- (4) Law of the Republic of Armenia “On bankruptcy”;
- (5) Laws of the Republic of Armenia “On tax service” and “On operational intelligence activity”;
- (6) Law of the Republic of Armenia “On inspection bodies”.

4. If the provisions of legal acts, which regulate tax relations and have equal legal power have contradictions, ambiguities or misinterpretations, they shall be interpreted and applied in favour of a taxpayer.

5. The laws of the Republic of Armenia, which provide for a new type of tax or fee and increase in the rate of tax or fee, or such provisions of the laws of the Republic of Armenia shall enter into force from the beginning of the tax year proceeding the tax year, in which is the day of adopting such laws, but not earlier than from the beginning of the seventh month following the month, in which is the day of the official promulgation of those laws.

6. The laws of the Republic of Armenia providing for a tax benefit or such provisions of the laws of the Republic of Armenia shall enter into force from the beginning of the tax year proceeding the tax year in which is the day of adoption of these laws, unless other terms for the entry of those laws into force is prescribed.

### **Article 3. Principles of the tax system of the Republic of Armenia**

1. The unified tax system operating in the Republic of Armenia is based on the following principles:

- (1) simplicity and certainty — the legal acts regulating the tax relations shall be clear, precise for taxpayers and tax bodies and shall not have contradictions and uncertainties;
- (2) consolidation — the legal acts regulating the tax relations shall be as consolidated as possible and the regulation of tax relations by separate legal acts shall be avoided;
- (3) equality — the legal acts regulating the tax relations shall be equally applied to all taxpayers, regardless of their sphere of activity and territorial attachment;
- (4) non-discrimination — the application of taxes and fees and tax administration shall not be of discriminatory nature based on social, political, religious, ethnic, ideological, as well as other factors prescribed by the Constitution of the Republic of Armenia;
- (5) bindingness — all taxpayers shall be obliged to calculate and pay taxes and make fees in the cases, according to the procedure and in the amount prescribed by the Code and laws of the Republic of Armenian on fees;
- (6) transparency and accountability — the tax administration shall be transparent and public;
- (7) self-assessment and tax compliance — the taxpayers shall independently calculate and pay taxes and make fees, as prescribed by the Code and laws of the Republic of Armenian on fees;
- (8) balance of tax administration — no taxpayer shall be obliged:
  - a. to pay taxes and make fees, which are not prescribed by the Code and laws of the Republic of Armenian on fees;
  - b. to pay the taxes and make the fees prescribed by the Code and laws of the Republic of Armenia on fees in violation of the requirements of the Code or laws of the Republic of Armenia on fees;

c. to pay the taxes and make the fees prescribed by the Code and laws of the Republic of Armenia on fees as long as the terms for their payment prescribed by the Code or laws of the Republic of Armenia on fees have expired;

(9) inevitability of liability — the taxpayers shall inevitably be held liable for violating the requirements of the Code or laws of the Republic of Armenia on fees;

(10) proportionality of liability — the liability provided for violating the requirements of the Code or laws of the Republic of Armenia on fees shall be proportional to the gravity of the offence;

(11) pluralism and publicity — the amendments to and/or supplements in the Code or laws of the Republic of Armenia on fees shall be made by previously considering them with the representatives of specialist non-governmental organisations, business sector and other state administration bodies concerned;

(12) modernity — the tax system shall be based on the modern systems (including electronic) and approaches of management;

(13) competitiveness — the tax system shall be competitive in terms of attracting investments and forming favourable business environment;

(14) efficiency — the tax system shall enable the record-keeping at the taxpayers and the tax control by tax authorities to be carried out using as little resources as possible.

## **CHAPTER 2**

### ***CONCEPTS***

#### **Article 4. Main concepts used in the Code**

1. Within the meaning of applying the legal acts regulating the tax relations, the concepts mentioned below shall have the following meaning:

- (1) **tax** — mandatory and non-repayable amount which is paid by taxpayers to the state and/or community budgets of the Republic of Armenia in the manner, amount and within the terms prescribed by the Code for the purpose of satisfying state and/or public needs;
- (2) **fee** — a state or local payment provided for by the Code;
- (3) **fine** — a sanction prescribed by the Code for the failure to pay taxes or make fees within the terms prescribed by the Code or laws of the Republic of Armenia on fees or for their late payment;
- (4) **penalty** — a sanction prescribed for the failure to fulfill or for fulfilling with violations the requirements prescribed by the Code or laws of the Republic of Armenia on fees;
- (5) **arrear** — amount of tax or fees prescribed by the Code or laws of the Republic of Armenia on fees, which have not been paid or have remained outstanding by the deadline for payment;
- (6) **advance payment of a tax or a fee** — payment of a tax or a fee calculated and made as prescribed by the Code or laws of the Republic of Armenia on fees for a certain period before the end of the reporting period;
- (7) **debit amount** — debit amount of tax reflected in the unified calculation report of the VAT and excise tax generated as a result of an offset (reduction) made as prescribed by the Code;
- (8) **unified account** — deposit sub-account of state extra-budgetary funds run by the Treasury for the purpose of discharging tax liabilities of taxpayers in cases prescribed by the Code;
- (9) **treasury** — central treasury of the state body exercising state regulation of the financial sector as authorised by the Government of the Republic of Armenia;

(10) **amount of unified account** — amount by which the tax liabilities of a taxpayer can be satisfied as prescribed by the Code. This amount may be generated from:

- a. payment made to the unified account;
- b. submission of tax calculation reports (including verified ones);
- c. reduction of liability as a result of execution of the court judgement or the decision adopted by the appeals commission or increase in the amounts subject to crediting to the unified account for the transactions taxable at zero rate of VAT;
- d. reduction of liability as a result of an inspection or examination or increase in the amounts to be subject to crediting to the unified account for the transactions taxable at zero rate of VAT;
- e. recorded (substantiated) amounts subject to crediting to the unified account, as a result of an inspection or examination of the transactions taxable at zero rate of VAT;
- f. recorded (substantiated) amounts subject to crediting to the unified account, as a result of an inspection or examination of the transactions prescribed by points 1-3 of part 2 of Article 89 of the Code;

(11) **taxpayer** — an organisation or a natural person (including an individual entrepreneur, notary), who has or may have an obligation to pay a tax or make a payment in the cases prescribed by the Code or laws of the Republic of Armenia on fees;

(12) **tax authority** — unified republican state administration body authorised to exercise control over the fulfillment of the requirements of the Code and laws of the Republic of Armenia on fees, the main purpose of which is to pursue the objectives prescribed by the Law of the Republic of Armenia “On tax service”, ensure the tax incomes controlled by the tax authority and promote economic security of the Republic of Armenia;

(13) **tax administration** — entirety of actions carried out by the authorised body pursuant to the Code and other legal acts for the universal and correct application of the legal acts regulating tax relations;

(14) **authorised body** — state administration or local self-government body implementing administration or exercising control in cases and within the scope prescribed by the Code or laws of the Republic of Armenia on fees;

(15) **assets** — any property belonging to the taxpayer by the right of ownership, property right and personal non-proprietary right related to property right;

(16) **intangible asset** — non-material asset, except for funds, financial assets and goodwill;

(17) **financial asset** — financial asset as defined by relevant international accounting standards, except for funds;

(18) **cash** — the currency of the Republic of Armenia or foreign currency in the form of banknotes or coins;

(19) **fixed asset** — fixed asset and investment property as defined by relevant international accounting standards;

(20) **original cost of asset** — the sum total of the asset acquisition price (in case of acquisition without compensation — the price of asset being received), construction or establishment or elaboration costs (including non-compensated costs and taxes and fees not offset (deducted) as prescribed by the Code), transportation and/or installation costs expressed in monetary value;

(21) **liability** — the existing debt of the taxpayer;

(22) **original cost of liability** — the sum total of assets — expressed in monetary value — needed for discharging (satisfying) the liability at the moment of emergence thereof;

(23) **income** — entrepreneurial, personal and/or passive income;



(24) **entrepreneurial income** — increase in asset or decrease in liability attributed to the activity carried out by an organisation, individual entrepreneur or notary, which, taken separately, results in the increase in own capital of an organisation or in increase of net assets of an individual entrepreneur or notary except for the cases prescribed by the Code. Within the meaning of this point, the income received from the entrepreneurial activity of a natural person who is not considered to be an individual entrepreneur and notary, shall also be deemed to be an entrepreneurial income;

(25) **personal income** — fund or another asset (including in-kind) attributed to the activity carried out by a natural person within the framework of employment or civil law contracts or upon any other basis (except for the cases prescribed by points 24 and 26 of this part). Within the meaning of this point, the dividend received by an individual entrepreneur or a natural person considered to be a notary, shall be deemed to be a personal income regardless of the circumstances of receiving the dividend as an individual entrepreneur or a notary and provisions of point 26 of this part;

(26) **passive income** — incomes received exclusively from the activity of other persons through the investment (provision) of assets by a natural person or a non-resident organisation record-registered but having no permanent establishment in the Republic of Armenia in accordance with Article 27 of the Code, in particular dividend, interest payment, royalty, rental and surplus value of assets (except for the cases prescribed by point 24 of this part);

(27) **gross income** — the sum total of the incomes prescribed by the Code;

(28) **entrepreneurial cost** — decrease in an asset or increase in liability attributed to the activity carried out by an organisation, individual entrepreneur or notary, which, taken separately, results in the decrease in own capital of an organisation or in

decrease in net assets of an individual entrepreneur or notary, except for cases prescribed by the Code;

(29) **own capital** — the difference between the assets and liabilities of an organisation;

(30) **book value of an asset** — the difference between the original value of an asset and the deductions (including depreciation or amortisation deductions) made from it for taxation purposes with consideration of the results of re-assessment carried out as prescribed by point 2 of part 1 of Article 106 of the Code and the capital expense prescribed by point 1 of part 3 of Article 121 of the Code;

(31) **book value of liability** — difference between the initial value of liability and deductions made from it for taxation purposes with consideration of the results of re-assessment carried out as prescribed by point 2, part 1 of Article 106 of the Code;

(32) **dividend** — the income received or to be received by a participant as a distribution of profit received from participation in the authorised capital or in share capital of an organisation (stock, share, unit) or joint activity;

(33) **interest** — income received or to be received for the use or sales price of funds provided to another person on the principle of repayment (including for acquiring debt security, as a borrowing, advance payment paid to the bank account of the serving bank) for a deferred payment. Fine for overdue payment as stipulated by law or by a transaction, including the bank interest, shall not be deemed to be interest;

(34) **royalty** — income received or to be received from the use of the intellectual property right or other non-proprietary rights of a taxpayer. In particular, the income received for the use of invention, patents, copyright in the sphere of literature, science or art, including films for television or radiocommunication, audio and audio-visual recordings, computer programs, certificate, trademark, design or model, scheme, secret formula or process or industrial, trade or scientific information or experience

shall also be deemed to be royalty. The concept of royalty shall be applied in Chapter 40 of the Code in the meaning of part 2 of Article 197 of the Code;

(35) **rental** — income received or to be received for the use of another person's property. The amount paid by a sublessee to a lessee shall also be deemed to be a rental;

(36) **capital gain** — positive difference between the sales price and the book value of an asset of a non-resident organisation record-registered but having no permanent establishment in the Republic of Armenia or a non-resident natural person record-registered but having no permanent establishment in the Republic of Armenia, in accordance with Article 27 of the Code;

(37) **tax benefit** — exception from the general procedure and/or terms for calculating and paying taxes, fines and/or penalties prescribed by the Code, which does not entail emergence of or decrease in a tax liability or in the result of which the amount of tax liability subject to discharge is eliminated or the terms of its calculation and/or discharge are postponed;

(38) **goods** — any asset other than funds, financial assets, intangible assets and goodwill, unless otherwise prescribed by the Code. Foreign currency shall also be deemed to be goods in foreign currency exchange or dealer activity;

(39) **identical goods** — goods that are identical in all aspects, including physical and chemical characteristics, quality, reputation (trademark), as well as description of location in case of an immovable property. Moreover, deviations in the appearance of the goods, which may not be a decisive reason for customers to prefer one of comparable goods over the others, shall not be a satisfactory condition for not considering such goods as identical;

(40) **similar goods** — goods, which, although not identical, have similar characteristics and composition, which enables them to be applied for the same purpose and interchangeably. Moreover, to determine the similarity of goods, among

other factors their quality and reputation (trademark), as well as description of location in case of immovable property, shall be taken into account,;

(41) **supply of goods** — transfer of the right of ownership over goods from one person to another for a certain form of compensation (including partial compensation or compensation through grants or subsidies) or without compensation. Within the meaning of this point, supply of goods shall also mean:

- a. alienation of goods through pipelines and power transmission lines;
- b. provision of goods by a participant of a joint activity to the participant accountable for joint activity, as an investment made in the joint activity, where those goods are provided before the accountable participant issues the statement prescribed by Article 32 of the Code;
- c. transfer of the right of ownership over the goods (collateral) from the pledgor to the pledgee or a person indicated by the pledgee;

(42) **transportation of goods** — carriage of goods without transferring the ownership right over the goods from one person to another;

(43) **work** — an action, the result of which is material and can be alienated for satisfying the needs and/or demands of another person;

(44) **service** — an action, the result of which is not material and which the receiver consumes during that action;

(45) **identical work** — work which is identical in all respects, including the requirements presented to the person delivering the work, quality of work and the reputation (trademark) of the person delivering the work. Moreover, the deviations in the work specifications, which may not be a decisive ground for the recipient of work to prefer one comparable work over the other, shall not be a sufficient condition for not considering such work as identical;

(46) **identical service** — services which are identical in all respects, including the requirements presented to the person providing the service, the quality of service and the reputation (trademark) of the person providing the service. Moreover, the deviations in the specifications of services, which may not be a decisive ground for the recipient of services to prefer one comparable service over the other, shall not be a sufficient condition for not considering such services as identical;

(47) **performance of work** — transfer of the right of ownership over the result of work from one person to another for a certain form of compensation (including partial compensation or compensation through grants or subsidies) or without compensation. Within the meaning of this point, the performance of work by a participant of a joint activity for the participant accountable for the joint activity, as an investment made in the joint activity, shall also be deemed to be performance of work, provided that this work is carried out before the accountable participant presents the statement prescribed by Article 32 of the Code;

(48) **provision of service** — performance of an action by one person for the benefit of another for a certain form of compensation (including partial compensation or compensation through grants or subsidies) or without compensation. Within the meaning of this point, provision of service by a participant of a joint activity for the participant accountable for the joint activity, as an investment made in the joint activity, shall also be deemed to be provision of service, if that service is provided before the accountable participant presents the statement prescribed by Article 32 of the Code;

(49) **comparable circumstances of transactions involving supply of goods, performance of work and/or provision of services** — factors, which do not usually impact the price of supplied goods, performed work and/or provided service. In particular, when determining the comparable circumstances, seasonality, consignment of supplied goods, the volume of performed work and/or provided service, conditions for supply of goods, performance of work and/or provision of service (in particular, by

delivery, without delivery, by advance payment, deferred payment to the supplier by purchaser, existing or future, by issuing insurance bonds or without it) and related services (in particular, installation, testing) as well as post-sale guarantee service shall be taken into consideration;

(50) **sales turnover** — entrepreneurial income to be received in the result of supply of goods, performance of work and/or provision of services expressed in monetary value, which shall not include VAT and/or excise tax amounts;

(51) **personal property of a natural person** — property for personal, family or home use belonging to a natural person by ownership right and subject to use for consumer purposes;

(52) **property of a natural person used for entrepreneurial activity** — property that is not the personal property of a natural person, except for the cases provided by the Code;

(53) **sales** — transfer of the right of ownership from one person to another over the goods and/or the result of performed work or provision of service for a certain form of compensation (including partial);

(54) **alienation** — transfer of the right of ownership from one person to another over the goods and/or the result of performed work or provision of service for a certain form of compensation (including partial) or without compensation;

(55) **paper-transfer document** — accounting document formally corresponding to the requirements prescribed by Article 55 of the Code (supply of goods, performance of work and/or provision of service), the transaction mentioned wherein has not been actually performed between the parties who have compiled that document or has been performed by indicating data smaller by 20 percent and more than one or more of the data defined in point 7 and/or 8 of part 4 of Article 55 of the Code. An accounting document shall not be deemed to be a paper-transfer document where the taxpayer issuing it is liable for performing the transaction, pursuant to a contract on supply of

goods, performance of work and/or provision of service. Paper-transfer documents shall not be a basis for calculation and/or payment of taxes and/or fees by taxpayers;

(56) **accompanying document** — a relevant accounting document prescribed by Article 55 of the Code, which proves the supply and transportation of goods in cases and manner prescribed by the Code;

(57) **place of supply** — unit of immovable property, having or not having an address, trade facility, sales outlet of a trading area, object of immovable property as a whole composed of immovable property units, subsoil area, a geographic object outside the inter-settlement and settlement borderlines or a general area (one whole area located or not located at the same address and belonging to the taxpayer by the right of possession or enjoyment but not demarcated by the areas belonging to other persons by the right of possession or enjoyment) belonging to the taxpayer or used by him or her, wherefrom the goods are supplied or transported;

(58) **point of supply** — means of transportation, which is used by a taxpayer for supplying or transporting his or her goods;

(59) **electronic submission of tax calculation reports or other documents** — submission of tax calculation reports or other documents to a tax authority by means of an electronic information system using electronic technologies (applying electronic digital signature, electronic code and password);

(60) **electronic digital signature** — means used for identifying the signatory, as well as for protecting the electronic document from forgery and distortion as prescribed by the Law of the Republic of Armenia “On electronic document and electronic digital signature”;

(61) **electronic code and password** — combination of an entry name and password presented by a unique sequence of electronic digital symbols, which enables to enter the information system of the tax authority, identify the person submitting the electronic document, as well as ensures the confidentiality and protection of

information regarding the person entering the electronic system against the actions of other persons;

(62) **tax dispute** — disagreement between a taxpayer and the tax authority with regard to relations pertaining to the exercise of tax control (including inspections and examinations) by the tax authority over the calculation and payment of taxes and fees, as well as fulfillment of other requirements prescribed by the Code and laws of the Republic of Armenia on fees;

(63) **tax secret** — any information received by the tax authority or a tax officer regarding the taxpayer and his or her activity, except for:

- a. information published by the taxpayer or upon his or her consent;
- b. information on a taxpayer identification number;
- c. information included in the charter of a taxpayer;
- d. information on violation of the requirements of the legal acts regulating tax relations and on the applied sanctions;
- e. information on a taxpayer or the activity of a taxpayer provided to the tax and customs authorities of other states based on international or inter-agency treaties (agreements).

## **Article 5. Rules for the use of other definitions in the Code**

1. Apart from the definitions prescribed by Article 4 of the Code, other definitions are used in the Code the sense and meaning whereof are explained in the relevant Chapters of the Code concerning these definitions.

2. The definitions of “taxable object”, “object of payment”, “tax base”, “payment base”, “reporting period” shall be used in legal acts regulating tax relations in the context and with the meaning indicated in the relevant articles of the Code concerning these definitions.



3. Definitions used in the Code for the purpose of regulating relations pertaining to calculation and payment of taxes and fees with regard to the transfer of goods across the customs border of the Eurasian Economic Union (EAEU) which are not prescribed by the Code shall be used in the meanings prescribed by the customs legislation of the EAEU and the laws and other legal acts of the Republic of Armenia regulating customs relations.
4. Definitions used in the legal acts regulating the field of accounting are used in the Code in the sense and meaning used in those legal acts unless otherwise prescribed by the Code.
5. Definitions used in the legal acts pertaining to the civil, administrative, criminal, labour, family, land spheres, the use of natural resources and environmental protection, licensing, notification, authorisation and other special fields shall be used in the Code within the context and in the meaning used in the legal acts pertaining to the relevant field unless otherwise prescribed by the Code.
6. Where the explanation to the Foreign Economic Activity Commodity Nomenclature (hereinafter referred to as the “CN FEA”) prescribed by the customs legislation of the EAEU used in the Code is different than the interpretation prescribed by the Code with regard to the relevant CN FEA code, the interpretation prescribed by the Code shall be applied.

## **CHAPTER 3**

### ***SYSTEM OF TAXES AND PAYMENTS***

#### **Article 6.           Types of taxes**

1. In the Republic of Armenia, the following shall be applicable:
  - (1) state taxes which are:
    - a. value added tax (hereinafter also referred to as “VAT”);

- b. excise tax;
- c. profit tax;
- d. income tax;
- e. environmental tax;
- f. road tax;
- g. turnover tax;
- h. patent tax;

(2) local taxes which are:

- a. immovable property tax;
- b. vehicle property tax.

2. Taxes not prescribed by points 1 and 2 of part 1 of this Article cannot be defined in the Republic of Armenia.

## **Article 7. Types of fees**

1. In the Republic of Armenia, the following shall be applicable:

(1) state fees which shall be of the following types:

- a. state duty;
- b. payment for the use of natural resources;
- c. welfare payment;
- d. mandatory payment for granting (extending the validity of) the permit for the use of radio frequency and the mandatory payment for the use thereof;
- e. mandatory payment for the regulation of public services;

(2) local fees which shall be of the following types:

- a. local duty;
- b. local payment.

## **Article 8.           Taxation systems**

1. General and specific taxation systems shall be applicable in the Republic of Armenia.

2. Within the framework of the general taxation system, organisations, individual entrepreneurs and notaries shall be taxed, in particular, under VAT and/or profit tax.

3. In specific taxation systems:

(1) within the framework of the system of turnover tax, organisations, individual entrepreneurs and notaries shall be taxed, in particular, under turnover tax replacing the VAT and/or the profit tax;

(2) within the framework of the system of patent tax, organisations and individual entrepreneurs shall be taxed, in particular, under patent tax replacing the VAT and/or the profit tax;

(3) within the framework of the system of family entrepreneurship, organisations and individual entrepreneurs shall be exempt, in particular, from taxation under VAT and/or profit tax, as well as under turnover tax in cases prescribed by Chapter 56 of the Code.

4. For the organisations, individual entrepreneurs and notaries operating under the specific taxation systems, other taxes and fees prescribed by the Code with regard to the relations that are regulated by the Section of the Code on specific taxation systems (which are not replaced by turnover tax or patent tax or from which subjects of family entrepreneurship are not exempted) shall be calculated and paid in the manner

prescribed by the Sections of the Code on the relevant tax or fee unless the relevant Chapters of the Code on specific taxation systems provide for peculiarities of calculation and payment of such taxes and fees.

#### **Article 9. General conditions for setting taxes and fees**

1. Taxes and fees shall be considered to be set only if the following elements have been set, except for cases prescribed by part 3 of this Article:

- (1) scope of taxpayers;
- (2) taxable object;
- (3) tax base;
- (4) tax rate;
- (5) method of calculation of the tax;
- (6) procedure and time limits for paying the tax.

2. The elements necessary for setting the tax and the payment for the use of natural resources shall be prescribed by the Code.

3. The provisions of part 1 of this Article shall not be applied to fees other than the payment for the use of natural resources prescribed by the Code; relations pertaining to other fees shall be regulated by the laws of the Republic of Armenia on fees.

4. The regulations prescribed by Articles 10-12, 14 and 18 of the Code concerning the elements for setting of taxes specified in part 1 of this Article shall be applicable also to the payment for the use of natural resources.

5. The regulations pertaining to taxes prescribed by Chapters 6-7, 67-72 and 76-80 of the Code that do not concern the elements for setting of taxes specified in part 1 of this Article shall be applicable to the fees provided for by the Code.

#### **Article 10. Taxable object**

1. Taxable object shall mean any transaction, profit, property, type of activity (including any action or function) or any other object the existence whereof or the existence of the right of ownership over which or the exercise of this right in accordance with the Code entails for the taxpayer the obligation of calculating or paying the tax.
2. A separate taxable object shall be prescribed for each tax.
3. The same taxable object shall be taxed only once under the same tax with the same taxpayer within the reporting period.

#### **Article 11. Tax base**

1. Tax base is the value, physical or other characteristic of the taxable object.
2. A separate tax base and method of calculation thereof shall be prescribed for each tax.

#### **Article 12. Tax rate**

1. Tax rate is a value (percentage) and/or an invariable which shall be applied to the tax base for the purpose of determining the tax amount.
2. A separate tax rate (rates) shall be set for each type of tax.

#### **Article 13. Reporting period**

1. Reporting period shall mean the period of time for which the taxes and/or the payment for the use of natural resources are calculated and paid, tax calculation reports (except for import tax declarations, announcement on import of goods and

payment of indirect taxes (or on exemption from indirect taxes or payment of indirect taxes in a different manner) and export tax declarations) are submitted and other obligations prescribed by the Code are performed.

2. The reporting period shall refer only to tax calculation reports and the period of time shall refer to other tax documents, as well as the deadlines for payment.

3. Reporting period shall mean the reporting month or the reporting quarter or the reporting semester or the reporting year, except for the reporting period for the patent tax prescribed by Article 281 of the Code.

4. Reporting month shall mean the period comprising the first day through the last day of any month. Reporting quarter shall mean the period comprising the first day of January, April, July or October of the year through the last day of March, June, September or December of the same year respectively. Reporting semester shall mean the period comprising the first day of January or July of the year through the last day of June or December of the same year respectively. Reporting year or tax year shall mean the period comprising 1 January of the year through 31 December of the same year. For the purposes of the provisions of this part, the peculiarities prescribed by parts 5 and 6 of this Article shall be taken into account.

5. In the cases of state registration of the organisation (state record-registration in the cases of separate subdivisions and institutions of an organisation) or state record-registration of a natural person as an individual entrepreneur or appointment of a notary, the start of the reporting period shall be the day of state registration of an organisation (in case of separate subdivisions and institutions of an organisation, state record-registration) or state record-registration of a natural person as an individual entrepreneur or the day on which a notary is appointed.

6. In case of liquidation of an organisation (in the case of separate subdivisions and institutions of an organisation, removal from the state record-registration) or removal of an individual entrepreneur from state record-registration or dismissal of a notary

from his or her position, the end of the reporting period shall be the day of liquidation of an organisation (in the case of separate subdivisions and institutions of an organisation, removal from the state record-registration) or removal of an individual entrepreneur from the state record-registration or the day of dismissal of a notary from his or her position.

#### **Article 14. Procedure for tax calculation**

1. Tax calculation shall be carried out for each reporting period in accordance with the procedure prescribed by the Sections or Chapters of the Code on different types of taxes, except for cases prescribed by the Code.
2. Taxpayers shall carry out the tax calculation independently, except for cases prescribed by parts 3-6 of this Article.
3. In cases prescribed by the Code, tax calculation shall be carried out by tax agents.
4. Calculation of taxes with regard to a joint venture conducted in the manner prescribed by Chapter 5 of the Code, except for taxes prescribed by part 1 of Article 32 of the Code, shall be carried out by the participant having assumed the obligation of calculating and paying the taxes and fees under the contract on joint activity (hereinafter referred to as the “reporting participant of the joint activity”), except for cases prescribed by part 6 of this Article.
5. In cases prescribed by Sections 11 and 12 of the Code, the tax calculation shall be carried out by the relevant record-keeping bodies.
6. In cases prescribed by Section 17 of the Code, tax calculation, and in cases prescribed by Sections 6 and 10 of the Code, the calculation of the advance payment shall be carried out (or the tax calculation shall be verified) by the tax authority.

**Article 15.                Methods of calculation of taxes or fees for the use of natural resources**

1. Taxes or fees for the use of natural resources shall be calculated by the accrual basis accounting method unless the Code provides that the taxes or fees for the use of natural resources shall be calculated by cash basis accounting method. For the purposes of the Code:

(1) accrual basis accounting method shall mean that:

- a. a taxpayer keeps records of the income and expenses from the moment of obtaining the right to receive the income or from the moment of recognising the expenses, irrespective of the time of receiving compensation or making a payment;
- b. a taxpayer keeps records of taxes, fees for the use of natural resources and the amounts offset (reduced) from taxes from the moment of arising of tax liability or generation of the amounts offset (reduced) from taxes, irrespective of the moment of receiving compensation for the transactions effected by him or her or making fees to the suppliers or tax or customs authorities with regard to the offset (reduced) amounts;

(2) cash basis accounting method shall mean that:

- a. a taxpayer keeps records of the income and expenses from the moment of receiving compensation or making fees, irrespective of the moment of obtaining the right to receive the income or from the moment of recognising the expenses;
- b. a taxpayer keeps records of taxes, fees for the use of natural resources and the amounts offset (reduced) from taxes from the moment of receiving compensation for the transactions effected by him or her or making fees to the suppliers or tax or customs authorities for the offset (reduced) sums, irrespective of the moment of arising of the tax liability or generation of the sums offset (reduced) from taxes.



2. In cases prescribed by this part, taxes and fees for the use of natural resources shall be calculated by the method of separated accounting. Separated accounting method of calculation of taxes or fees for the use of natural resources shall mean that:

(1) where the taxpayer simultaneously performs more than one type of activities and where — in accordance with Section 13 of the Code — taxes for one type of those activities must be calculated in the manner prescribed for the specific taxation system prescribed by that Section and taxes for one of the types of activities must — in accordance with the Code — be calculated in the manner prescribed for the general taxation system prescribed by the Code, the taxpayer shall maintain separated accounting of the taxable objects, tax bases, tax amounts, as well as deductions, offset (reduced) amounts prescribed by the Code that are being formed within the framework of the specific taxation system and of taxable objects, tax bases, tax amounts, as well as deductions, offset (reduced) amounts prescribed by the Code that are being formed within the framework of the general taxation system;

(2) where a taxpayer concurrently performs more than one type of activities and where — in accordance with Section 13 of the Code — taxes for one type of those activities are to be calculated in the manner prescribed for the specific taxation system prescribed by that Section and taxes for the remaining types of activities must — in accordance with the Code — be calculated in the manner prescribed for other specific taxation system prescribed by the same Section, the taxpayer shall maintain separated accounting of taxable objects, tax bases, tax amounts, as well as deductions, offset (reduced) amounts prescribed by the Code that are being formed within the framework of different specific taxation systems;

(3) where a taxpayer concurrently performs types of activities or transactions subject or not subject to taxation, the taxpayer shall maintain separated accounting of taxable objects, tax bases, as well as deductions, offset (reduced) amounts prescribed by the Code with regard to types of activities or transactions that are not subject to taxation and of taxable objects, tax bases, as well as deductions, offset (reduced) amounts

prescribed by the Code with regard to types of activities or transactions subject to taxation;

(4) where a taxpayer at the same time receives [from different sources] income both subject and not subject to taxation, the taxpayer shall maintain separated accounting of income not subject to taxation and deductions directly related to receiving thereof and of income subject to taxation and deductions directly related to receiving thereof;

(5) where a taxpayer concurrently receives **elements** (income) not considered to be income for the purpose of taxation and those considered to be income for the purpose of taxation, the taxpayer shall maintain separated accounting of the elements (income) not considered to be income for the purpose of taxation and deductions directly related to receipt thereof, and of elements (income) considered to be income for the purpose of taxation and deductions directly related to receipt thereof;

(6) where a taxpayer concurrently performs types of activities or transactions subject to taxation at basic and differentiated rates of the same tax, the taxpayer shall maintain separated accounting of the taxable objects and tax bases with regard to those types of activities or transactions;

(7) where a taxpayer performs transactions (operations) involving such taxable objects and/or tax bases which can be revised or adjusted in cases prescribed by the Code, the taxpayer shall maintain separated accounting of the taxable objects and/or tax bases formed with regard to these transactions (operations);

(8) where a taxpayer is considered to be a reporting participant or a participant of a joint venture conducted as prescribed by Chapter 5 of the Code, the taxpayer shall maintain separated accounting of taxable objects, tax bases, tax amounts, as well as deductions, offset (reduced) amounts prescribed by the Code with regard to his activity other than joint activity and of taxable objects, tax bases, tax amounts, as well as deductions, offset (reduced) amounts prescribed by the Code formed with regard to the joint activity;

(9) where a non-resident organisation or a non-resident natural person of the Republic of Armenia has a record-registered permanent establishment in the Republic of Armenia, the non-resident organisation or the non-resident natural person shall be obliged to maintain separated accounting of the taxable objects, tax bases, tax amounts, as well as deductions and offset (reduced) amounts prescribed by the Code with regard to the record-registered permanent establishment of the non-resident organisation located in the Republic of Armenia or the non-resident natural person residing in the Republic of Armenia.

3. Where it is impossible to maintain the separated accounting prescribed by points 1-8 of part 2 of this Article, in cases prescribed by points 1-8 of part 2 of this Article, taxable objects, tax bases, tax amounts, as well as deductions and offset (reduced) amounts prescribed by the Code (for the part with regard to which separated accounting cannot be maintained) shall be calculated by the weighted average method, taking as a basis:

(1) in the case prescribed by point 1 of part 2 of this Article, the portion of the taxable objects, tax bases, tax amounts, as well as deductions, offset (reduced) amounts prescribed by the Code that are attributed to the types of activity included in the general taxation system respectively in the structure of the taxpayer's objects of general taxation, general tax bases, as well as general deductions or general offset (reduced) amounts prescribed by the Code;

(2) in the case prescribed by point 2 of part 2 of this Article, the portion of the taxable objects, tax bases, tax amounts, as well as deductions, offset (reduced) amounts prescribed by the Code that are attributed to the types of activity included in the special taxation system respectively in the structure of the taxpayer's objects of general taxation, general tax bases, as well as general deductions or general offset (reduced) amounts prescribed by the Code;

(3) in the case prescribed by point 3 of part 2 of this Article, the portion of taxable objects, tax bases, as well as deductions and offset (reduced) amounts prescribed by the Code that are attributed to the types of activity or transactions subject to taxation, respectively, in the structure of the taxpayer's objects of general taxation, general tax bases, as well as general deductions or general offset (reduced) amounts prescribed by the Code;

(4) in the case prescribed by point 4 of part 2 of this Article, the portion of income subject to taxation in the structure of the taxpayer's total income;

(5) in the case prescribed by point 5 of part 2 of this Article, the portion of the elements (income) considered to be income for the purpose of taxation in the structure of the taxpayer's total income;

(6) in the case prescribed by point 6 of part 2 of this Article, the portion of taxable objects or tax bases that are attributed to a type of activity or a transaction subject to taxation at the basic tax rate in the structure of the taxpayer's general taxable objects or general tax bases respectively;

(7) in the case prescribed by point 7 of part 2 of this Article, the portion of taxable objects or tax bases with regard to the transactions (operations) not mentioned in that point, respectively in the structure of taxpayer's general taxable objects or general tax bases;

(8) in the case prescribed by point 8 of part 2 of this Article, the portion of taxable objects, tax bases, as well as deductions or offset (reduced) amounts prescribed by the Code with regard to the activity other than joint activity, respectively, in the structure of the taxpayer's general taxable objects, general tax bases, as well as **general** deductions or general offset (reduced) amounts prescribed by the Code.

4. For the purposes of this Article, it shall be held that it is impossible to maintain separated accounting where taxable objects or tax bases or tax amounts or income, or the deductions or offset (reduced) amounts pertaining to generation of income that

are prescribed by the Code cannot be directly attributed to the following that are subject to taxation, not subject to taxation, subject to taxation in different taxation systems, subject to taxation at differentiated rates:

- (1) a specific transaction or
- (2) a specific type of activity or
- (3) a specific type of income.

5. Where it is possible to maintain separated accounting prescribed by points 1-8 of part 2 of this Article but the taxpayer has failed to ensure it, the tax authority shall be entitled to determine the taxable objects or tax bases or tax amounts or income, or deductions or offset (reduced) amounts pertaining to generation of income that are prescribed by the Code by applying the relevant weighted average method prescribed by points 1-8 of part 3 of this Article.

6. The peculiarities of application of the method of separated accounting prescribed by part 2 of this Article and the weighted average method prescribed by part 3 of this Article are prescribed by Sections on separate types of taxes in the special part of the Code.

7. In cases prescribed by Sections of the Code on separate types of taxes, the accounting, serving as a basis for the calculation of taxes or tax bases, shall be maintained based on the provisions of the laws and other legal acts regulating accounting and financial statements unless the Code provides for other peculiarities of their application.

8. As regards considering the income received by a natural person considered to be an individual entrepreneur or a notary, as income of an individual entrepreneur or a notary or of the given natural person, the fact of the transaction party acting as an individual entrepreneur or a notary or a natural person shall be taken into account.

**Article 16. Rules of accounting of transactions and operations  
denominated in foreign currency**

1. Within the scope of transactions and operations denominated in foreign currency:

(1) tax bases formed with regard to transactions relating to the import or export of goods and original costs of goods shall be determined:

a. in case of operations relating to import of goods from states that are not members of the EAEU or export of goods to states that are not members of the EAEU, as of the date of the customs declaration for the import or export of goods respectively (irrespective of the fact of submitting afterwards the verified customs declaration for the import of goods or the verified customs declaration for the export of goods as prescribed by the EAEU uniform customs legislation with regard to these operations) based on the average market exchange rate announced by the Central Bank of the Republic of Armenia as of that day;

b. in case of operations relating to import of goods from the EAEU member states or export of goods to the EAEU member states, as of the date of the tax declaration for the import of goods or export of goods respectively (irrespective of the fact of submitting afterwards the verified customs declaration for the import of goods or the verified customs declaration for the export of goods with regard to these transactions) based on the average market exchange rate announced by the Central Bank of the Republic of Armenia as of that day;

(2) in case of transactions involving supply of goods, performance of work or rendering of services concluded between a resident organisation or a resident natural person of the Republic of Armenia and a non-resident organisation or a non-resident natural person of the Republic of Armenia (except for the permanent establishment record-registered in the Republic of Armenia of a non-resident organisation or a non-resident natural person) within the territory of the Republic of Armenia, as well as in cases where the obligation for calculating and paying the value added tax with regard

to the transaction involving supply of goods, performance of work or rendering of services carried out by a non-resident organisation having no permanent establishment record-registered in the Republic of Armenia or by a non-resident natural person having no permanent establishment record-registered in the Republic of Armenia shall be undertaken — in accordance with Section 4 of the Code — by a resident organisation or a resident natural person of the Republic of Armenia or the permanent establishment record-registered in the Republic of Armenia of the non-resident organisation or the non-resident natural person who is considered to be a party to the transaction, the formed tax bases and original costs shall be determined as of the date of issuance of the relevant settlement document based on the average market exchange rate announced by the Central Bank of the Republic of Armenia;

(3) tax amount of the taxable income paid by a tax agent shall be calculated as of the date of payment of that income, based on the average market exchange rate announced by the Central Bank of the Republic of Armenia as of that day.

2. For the purposes of this Article, the average exchange rate announced by the Central Bank of the Republic of Armenia by 16:00 of the given day shall serve as a basis for determining the average market exchange rate announced by the Central Bank of the Republic of Armenia on the given day.

## **Article 17. Rules of accounting of in-kind transactions and operations**

1. Tax bases and original costs of assets formed as related to in-kind (non-monetary) transactions and operations shall be determined based on free (market) prices as prescribed by the Government of the Republic of Armenia.

## **Article 18. Procedure and time limits for paying taxes**

1. Taxes shall be paid upon the end of the reporting period (and in cases prescribed by the Code, also by way of advance payment prior to the end of the reporting period), except for the patent tax prescribed by Chapter 57 of the Code which shall be paid prior to the start of the reporting period.
2. Time limits for paying taxes (including advance fees) shall be prescribed by the special part of the Code, separately for each tax type.
3. Taxes (including advance fees), fines and/or penalties shall be paid through the payment and settlement system in the Armenian dram.
4. Taxes (including advance fees), fines and/or penalties shall be considered to be paid on the day of transfer of the sum to the unified treasury account by the Central Bank of the Republic of Armenia on the basis of the payment order issued by the bank servicing the payer.
5. For the purpose of satisfying tax liabilities through the uniform account:
  - (1) taxpayers shall make the payment of the tax to the uniform account;
  - (2) no notes concerning the purpose of the payment shall be made in the tax payment order and where notes are made, they shall not be considered by the tax authority.
6. Where errors are detected while making the tax payment, the following rules shall be applicable:
  - (1) for the identification of the payment as per a taxpayer, the taxpayer identification number shall be of primary importance, then the public services number, and where it is not available, the copy of the statement on non-availability of the public services number issued by the authorised body;



(2) where the payer has mistakenly mentioned another person as a taxpayer in the payment order, as a result of which the tax liability of another person has been satisfied, the tax liability of the other person shall be considered to be satisfied and the sum shall not be returned to the taxpayer. Should this happen, the payer shall acquire the right to a civil and legal demand over the other person.

## **Article 19. Tax benefits**

1. The following types of tax benefits can be prescribed by the Code or the laws of the Republic of Armenia:

- (1) exemption from taxes;
- (2) reduction of the taxable object;
- (3) reduction of tax base;
- (4) reduction of tax rate;
- (5) reduction of tax;
- (6) deferral of tax payment;
- (7) exemption from, reduction of fines and penalties prescribed by the Code calculated for the violation of the provisions of the Code, as well as deferral of payment thereof.

2. The types of tax benefits prescribed by part 1 of this Article shall be applicable also to the payment for the use of natural resources.

3. Tax benefits shall be prescribed solely by the Code or the laws of the Republic of Armenia.

4. The taxpayer may submit to the tax authority a statement in the form approved by the tax authority and waive the right to tax benefits. Should the statement prescribed by this part be submitted:

- (1) the tax benefit shall terminate with regard to the taxable object formed following the day of submitting the statement;
  - (2) transactions, operations performed following the day of submitting the statement shall — for the purposes of the Code — be considered to be transactions, operations subject to taxation;
  - (3) the taxpayer may not withdraw the statement on waiving the right to tax benefit prior to the end of the tax year following the tax year including the day of submitting the statement;
  - (4) tax benefit which has not been used by the taxpayer shall not be transferred to next reporting periods for the purpose of reducing future tax liabilities;
  - (5) waiving the right to tax benefits shall not free the taxpayer from application against him or her of the sanctions prescribed for violation of provisions of legal acts regulating tax relations.
5. For organisations, individual entrepreneurs and notaries operating in special taxation systems, for the relations regulated by the Section of the Code on special taxation systems, the tax benefits with regard to VAT and profit tax prescribed by the Code shall be suspended, except for tax benefits prescribed with regard to VAT for operations of import of goods to the Republic of Armenia.

## **Article 20. Exclusion of Double Taxation**

1. Profit taxable objects and income tax received or to be received outside the Republic of Armenia by resident organisations of the Republic of Armenia and resident natural persons of the Republic of Armenia shall be included in the taxable object under the relevant tax type of these organisations and natural persons and shall be subject to taxation in the Republic of Armenia as prescribed by the Code, unless otherwise prescribed by the Code.

2. For the purpose of taxation of resident organisations of the Republic of Armenia and resident natural persons of the Republic of Armenia, the tax amounts calculated for taxable objects determined as prescribed by part 1 of this Article shall be reduced in the amount of the sums of the relevant taxes which have been collected in foreign states in accordance with the legislation of those states.

3. Amounts of taxes shall be reduced as prescribed by part 2 of this Article in amounts not exceeding the amounts of the relevant taxes calculated for taxable objects formed in foreign states in the manner and at the rates prescribed by the Code.

4. Where the amount of the profit tax or the income tax subject to reduction in accordance with part 3 of this Article exceeds the profit tax or the income tax liability respectively for the given reporting year, the amounts of taxes in excess shall — with regard to the relevant tax type — be subject to reduction from the liabilities of the following reporting years of the organisation or the natural person.

## **SECTION 2**

### **TAXPAYERS (TAX AGENTS) AND TAX AUTHORITIES**

## **CHAPTER 4**

### ***ORGANISATIONS AND NATURAL PERSONS***

#### **Article 21. Organisation**

1. For the purposes of the Code, organisations shall include:

(1) the Republic of Armenia represented by state administration institutions, communities of the Republic of Armenia represented by the community administration institutions, the Central Bank of the Republic of Armenia, legal persons having

obtained state registration in the Republic of Armenia, institutions record-registered in the Republic of Armenia;

(2) organisations registered in a foreign state;

(3) international organisations;

(4) permanent establishments prescribed by Article 27 of the Code, irrespective of the fact of being record-registered with the tax authority as a taxpayer in the manner prescribed by Chapter 58 of the Code;

(5) investment funds.

## **Article 22. Resident and non-resident organisations of the Republic of Armenia**

1. A resident organisation of the Republic of Armenia (hereinafter referred to as “resident organisation”) shall mean the organisation which is located in the Republic of Armenia.

2. A non-resident organisation of the Republic of Armenia (hereinafter referred to as “non-resident organisation”) shall mean the organisation which — pursuant to part 1 of this Article — is not considered a resident organisation.

## **Article 23. Location of the organisation**

1. Location of an organisation shall mean the place of state registration of the organisation (in case of an institution, the place of state record-registration).

2. Location of the investment fund registered as prescribed by the legislation of the Republic of Armenia shall mean the location of the manager of the fund.

**Article 24. Natural person**

1. For the purposes of the Code, natural persons shall include:

- (1) citizens of the Republic of Armenia;
- (2) foreign citizens;
- (3) stateless persons.

2. For the purposes of the Code, natural persons shall include also:

- (1) individual entrepreneurs;
- (2) notaries.

3. For the purposes of the Code, a dual citizen of the Republic of Armenia shall be recognised only as a citizen of the Republic of Armenia.

**Article 25. Resident and non-resident natural persons of the Republic of Armenia**

1. Resident natural persons of the Republic of Armenia (hereinafter referred to as “resident natural persons”) shall mean the natural persons whose actual presence in the Republic of Armenia extends for 183 or more days.

2. For the purposes of this Article, full days of actual presence in the Republic of Armenia shall include also the day of arrival in the Republic of Armenia and the day of departure from the Republic of Armenia, irrespective the number of hours of actual stay of the natural person in the Republic of Armenia.

3. Resident natural persons shall also include:

- (1) natural persons the centre of vital interests whereof is located in the Republic of Armenia. For the purposes of this point, the centre of vital interests shall be the place wherein the person’s family and economic interests are concentrated. In particular,

the centre of vital interests of a natural person shall be considered to be located in the Republic of Armenia where his or her house or apartment, family, the principal place of professional or other activities is located in the Republic of Armenia;

(2) natural persons engaged in state service in the Republic of Armenia and temporarily working outside the territory of the Republic of Armenia.

4. Non-resident natural persons of the Republic of Armenia (hereinafter referred to as “non-resident natural persons”) shall mean the natural persons who — pursuant to parts 1 and 3 of this Article — are not resident natural persons.

5. For the purposes of the Code, where the natural person — pursuant to parts 1 and/or 3 of this Article — is considered to be a resident as of one of the days of the tax year, this natural person shall be considered to be a resident for the whole tax year.

#### **Article 26. Place of residence of the natural person**

1. For the purposes of the Code, the place of residence of a natural person shall be the place where the natural person is record-registered as prescribed by the legislation (including, as an individual entrepreneur or a notary) and in case of absence of a place of record-registration, the place of residence of a natural person shall be the actual place of residence of the natural person.

#### **Article 27. Permanent establishment of a non-resident organisation or a non-resident natural person**

1. Permanent establishment of a non-resident organisation or of a non-resident natural person in the Republic of Armenia (hereinafter referred to as “the permanent establishment”) shall be one of the places of business in the Republic of Armenia mentioned in this part, record-registered with the tax authority as a taxpayer as

prescribed by Chapter 58 of the Code through which the non-resident organisation or the non-resident natural person conducts entrepreneurial activity, irrespective of the period of performance of the activity:

- (1) any place of production, processing, consolidation, re-packaging, packaging and/or supply of goods;
- (2) any place of management;
- (3) any place of geological investigation of the subsurface, exploration, preparatory works for extraction of mineral resources and/or extraction of mineral resources and/or performance of works, provision of supervision and/or monitoring services over exploration and/or extraction of mineral resources;
- (4) any place of conduct of the activity related to the installation, adaptation and exploitation of gaming machines, computer networks and communication channels, amusement rides, as well as related to transport or other infrastructure;
- (5) place of sale of goods in the territory of the Republic of Armenia, unless otherwise prescribed by part 3 of this Article;
- (6) any place of performance of construction activities and/or construction and installation works, as well as of provision of supervision services over performance of these works;
- (7) location of the representative office or the branch office, except for the representative office which exclusively performs the activity prescribed by part 4 of this Article;
- (8) location of an organisation or a natural person carrying out brokerage activities in the Republic of Armenia on behalf of a non-resident organisation or a natural person in accordance with the Law of the Republic of Armenia “On insurance and insurance activities”;

(9) according to Chapter 5 of the Code or pursuant to legislation of a foreign state, location of the reporting participant of the joint activity performed within the framework of the contract on joint activity concluded with a non-resident organisation or a non-resident natural person where this joint activity is carried out in the territory of the Republic of Armenia.

2. In the case of performance of works and/or provision of services in the territory of the Republic of Armenia not mentioned in part 1 of this Article a permanent establishment shall be the place where the works are performed and/or the services are provided by employees and/or other staff hired by a non-resident organisation or a non-resident natural person where such activities are carried out in the territory of the Republic of Armenia for at least 183 calendar days in a tax year, starting from the day of commencement of the entrepreneurial activity within the framework of one or more related projects.

For the purposes of this Article, related projects shall be those the contracts on which are considered to be interconnected or interdependent.

Related contracts shall mean the contracts which meet all of the following conditions:

(1) under these contracts, the same works are performed for the same tax agent or an organisation or a natural person related thereto or the same services are provided to the same tax agent or an organisation or a natural person related thereto by a non-resident organisation or a non-resident natural person or by an organisation or a natural person related thereto;

(2) the period between the day of completion of performance of works and/or provision of services prescribed by one contract and the day of entering the other contract does not exceed the uninterrupted period of twelve months.

Interdependent contracts shall mean the contracts which have been concluded between a non-resident organisation or a non-resident natural person or an organisation or a natural person related thereto and the tax agent or an organisation



or a natural person related thereto in which case non-performance of obligations by the non-resident organisation or the non-resident natural person or the organisation or the natural person related thereto shall affect the implementation of other contracts by given non-resident organisation or non-resident natural person or the organisation or the natural person related thereto.

3. In case of sale of goods at exhibitions and fairs organised in the territory of the Republic of Armenia, a non-resident organisation or a non-resident natural person shall create a permanent establishment in the Republic of Armenia if the activity is carried out for more than thirty days.

4. Performance of preparatory and/or support activities carried out by a non-resident organisation or a non-resident natural person in the territory of the Republic of Armenia other than the principal activities of a non-resident organisation or a non-resident natural person shall not lead to creation of a permanent establishment if the activities are carried out for a period of less than three years. Moreover, preparatory and/or support activities must be carried out directly for the given non-resident organisation or the non-resident natural person and not for another organisation or a natural person. Preparatory and/or support activities shall include:

- (1) utilisation of any place exclusively for the storage and/or exhibition of the goods belonging to the non-resident organisation or the non-resident natural person;
- (2) only purchase of goods at the permanent place of activity which does not involve their sale;
- (3) only collection, processing and/or dissemination of information, advertisement or research of the market for goods, works and services at the permanent place of activity which shall be carried out by the non-resident if this activity does not constitute the principal activity carried out by this non-resident.

5. Notwithstanding the provisions of parts 1 and 2 of this Article, where a non-resident organisation or a non-resident natural person carries out entrepreneurial

activity in the territory of the Republic of Armenia through the organisation or the natural person considered to be a dependent agent, it shall be then considered that the non-resident organisation or the non-resident natural person has a permanent establishment in the territory of the Republic of Armenia with regard to any activity which the dependent agent carries out for that non-resident organisation or non-resident natural person. For the purposes of this Article, a dependent agent shall be the organisation or the natural person who meets all of the following conditions:

(1) it is authorised — based on the contractual arrangements — to represent the interests of the non-resident organisation or the non-resident natural person in the Republic of Armenia, act on behalf and at the expense of the non-resident organisation or the non-resident natural person, act and/or carry out certain legal actions;

(2) the activity mentioned in point 1 of this part is not carried out within the scope of the activity of customs representative, specialised participant in securities market and other brokerage activities (except for insurance broker's activity);

(3) its activity is not limited by the types of activities prescribed by part 4 of this Article.

6. Unless otherwise prescribed by part 7 of this Article, a non-resident organisation or a non-resident natural person which renders services of providing foreign labour force to an organisation or a natural person carrying out its activity in the territory of the Republic of Armenia, including to a non-resident organisation or a non-resident natural person conducting activities through the permanent establishment, no permanent establishment shall be created in the territory of the Republic of Armenia with regard to these services where:

(1) the labour force acts on behalf and in the interests of the organisation or the natural person carrying out its activity in the territory of the Republic of Armenia;

(2) the non-resident organisation or the non-resident natural person rendering services of providing foreign labour force does not bear responsibility for the results of the work performed by the labour force.

7. Where the activity carried out by a non-resident organisation or a non-resident natural person in the Republic of Armenia has the characteristics of a permanent establishment prescribed by this Article, that non-resident organisation or non-resident natural person shall be record-registered with the tax authority as a taxpayer as prescribed by Chapter 58 of the Code. Where the activity carried out by the non-resident organisation or the non-resident natural person leads to formation of two or more permanent establishments which — pursuant to this Article and Chapter 58 of the Code — must be record-registered with the tax authority, only one of the permanent establishments shall be subject to record-registration. The non-resident organisation or the non-resident natural person may — as a taxpayer and as prescribed by Chapter 58 of the Code — be record-registered with the tax authority also in the cases where the activity carried out thereby in the Republic of Armenia is not yet characterised as a permanent establishment prescribed by this Article.

8. Where the activity carried out by a non-resident organisation or a non-resident natural person in the Republic of Armenia is characterised as a permanent establishment as prescribed by this Article but that non-resident organisation or the non-resident natural person has not been record-registered with the tax authority as a taxpayer as prescribed by Chapter 58 of the Code, the tax and fees calculation and payment regulations that are applicable with regard to a non-resident organisation having no permanent establishment or a non-resident natural person having no permanent establishment shall be applicable with regard to that non-resident organisation or the non-resident natural person.

9. Where a non-resident organisation or a non-resident natural person carries out an activity within the framework of a contract on joint activity in the territory of the Republic of Armenia, the activity of each of the parties to that contract shall lead to the

formation of a permanent establishment in accordance with the provisions of this Article.

10. For the purposes of this Article, the start of performance of the activity of a non-resident organisation or a non-resident natural person in the territory of the Republic of Armenia shall be considered:

(1) the day of occurrence of any of the following:

a. conclusion of the contract on performance of works and/or provision of services in the territory of the Republic of Armenia;

b. obtaining a permit to perform actions on their behalf in the territory of the Republic of Armenia;

c. procurement of goods in the territory of the Republic of Armenia for the purpose of sales;

d. performance of works and provision of services in the territory of the Republic of Armenia within the scope of the contract on joint venture;

e. procurement of works, services for the purpose of performing works and providing services in the territory of the Republic of Armenia;

(2) the day of conclusion of the first employment or civil and legal contract with the natural person in the territory of the Republic of Armenia or the day of arrival of the employee in the Republic of Armenia for the purpose of fulfilment of the conditions specified in the contracts prescribed by point 1 of this part. Moreover, the day of commencement of performance of the activity by the non-resident organisation or the non-resident natural person in the territory of the Republic of Armenia cannot be earlier than any of time limits prescribed by sub-points (a)-(e) of point 1 of this part;

(3) the day of entry into force of the document confirming the right of the non-resident organisation or the non-resident natural person to perform the types of activity specified in points 3 and 4 of part 1 of this Article.

Upon presence of some of the conditions prescribed by this Article, the day of commencement of performance of the activity within the territory of the Republic of Armenia shall be the earliest time limit specified in this Article.

**Article 28.           Official of the taxpayer (tax agent)**

1. For the purposes of the Code, an official of a taxpayer (tax agent) shall be the natural person who — by virtue of law or upon the authorisation issued by a taxpayer (tax agent) in the form prescribed by the tax authority — is authorised to represent the taxpayer (tax agent) in the tax authority, except for cases prescribed by this Article.
2. The investment fund manager shall act on behalf of that investment fund in all relations related to the fund's activities as a taxpayer (except for the pension fund).
3. Persons holding state or community positions prescribed by the Law of the Republic of Armenia “On public service” cannot act as officials of the taxpayer.

**Article 29.           Tax agent**

1. Tax agent shall be the organisation, individual entrepreneur or notary making income fees (disbursements or in-kind provision) to the taxpayers which — in accordance with the Code — shall be obliged to calculate, withhold (collect) and pay to budget of the Republic of Armenia the taxes or fees from the income of the taxpayers while making income fees (disbursements or in-kind provision) to them. For the purposes of this part, income fees (disbursements or in-kind provision) from the tax agent to the taxpayer shall include also:
  - (1) income payment (disbursement or in-kind provision) made by the tax agent to the person specified by the taxpayer who receives income;

(2) income payment (disbursement or in-kind provision) made by a person specified by the tax agent to the taxpayer who receives income.

2. Where pursuant to the international agreement ratified by the Republic of Armenia, the organisation is exempt from the obligation to calculate, withhold (collect) and pay to budget of the Republic of Armenia the taxes or fees from the income of the taxpayers, while making income fees (disbursements or in-kind provision) to them, this organisation can submit to the tax authority a statement in the form prescribed by the tax authority and act as a tax agent on a voluntary basis. In this case the calculation, withholding (collection) of the tax and payment thereof to the budget of the Republic of Armenia by the tax agent for the first time shall be carried out for the relevant reporting period including the day of submitting the statement.

3. For failure to perform or improper performance of their obligations, tax agents shall be held liable as prescribed by the Code.

### **Article 30. Related organisations and/or natural persons**

1. For the purposes of the Code, organisations and/or natural persons shall be considered to be related where:

(1) 20 per cent and more of the equity shares (stock, share) of the authorised (share) capital of the resident commercial organisation belongs to another resident commercial organisation, an individual entrepreneur or a notary;

(2) 20 per cent and more of the equity shares (stock, share) of the authorised (share) capital of the resident commercial organisation belongs to the natural person who is not an individual entrepreneur and to whom also belongs 20 per cent and more of the equity shares (stock, share) of the authorised (share) capital of another resident commercial organisation.

2. Irrespective of the presence of the conditions specified in part 1 of this Article, organisations and/or natural persons shall be considered to be related where according to the information received from a third person (including from a state body) as defined in Chapter 70 of the Code or obtained as a result of operational and intelligence activities, organisations and/or natural persons — on grounds of acting in consent for common economic interests — are recognised as related upon the decision of the head of the tax authority as prescribed by the tax authority. For the purposes of this part, when recognising taxpayers as related, the following circumstances, in particular, shall be taken into account:

- (1) volume and frequency of transactions carried out between them;
- (2) sale prices and trade mark-ups of the goods purchased from one another;
- (3) share in any commodity market.

3. For the purposes of transfer price formation rules prescribed by Chapter 73 of the Code, additional regulations for recognising organisations and natural persons as related shall be prescribed by that Chapter.

## **CHAPTER 5**

### ***PARTICIPANTS OF JOINT ACTIVITY***

#### **Article 31. Contract on joint activity**

1. Organisations and individual entrepreneurs shall be entitled to carry out joint activity without establishing a new legal entity within the framework of the contract on joint activity prescribed by the Civil Code of the Republic of Armenia.

## **Article 32. Participants of joint activity and the reporting participant**

1. The obligation of calculating and paying the taxes with regard to the joint activity (except for the income tax and profit tax, patent tax, environmental tax and local taxes withheld by the tax agent), fees (except for the payment for the use of natural resources, social payment and local fees), advance fees shall be performed by the reporting participant of the joint activity.

2. Crediting of taxes in cases and in the manner prescribed by the Code with regard to the joint activity shall be made to the unified account of the reporting participant.

3. Reporting participant of a joint activity shall mean the participant of the joint activity which has the characteristics specified in this part, according to priority:

(1) it is considered to be a resident organisation or an individual entrepreneur producing and/or importing goods subject to taxation under excise tax. Where there are more than one resident organisations or individual entrepreneurs among the participants of the joint activity which produce and/or import goods subject to taxation under excise tax, the resident organisation or the individual entrepreneur having the largest investment in the joint activity at the time of concluding the contract on joint activity shall be considered to be the reporting participant of the joint activity;

(2) it is considered to be a resident organisation or an individual entrepreneur producing and/or importing goods subject to **stamping**. Where there are more than one resident organisations or individual entrepreneurs among the participants of the joint activity which produce and/or import goods subject to compulsory stamping, the resident organisation or the individual entrepreneur having the largest investment in the joint activity at the time of concluding the contract on joint activity shall be considered to be the reporting participant of the joint activity;

(3) it is considered to be a resident organisation or an individual entrepreneur and has a notice or permit to engage in any of the types of activities carried out within the framework of the joint activity. Where there are more than one resident organisations



or individual entrepreneurs among the participants of the joint activity which have a notice or permit to engage in any of the types of activities carried out within the framework of the joint activity, the resident organisation or the individual entrepreneur having the largest investment in the joint activity at the time of concluding the contract on joint activity shall be considered to be the reporting participant of the joint activity;

(4) it is considered to be a resident organisation paying a value added tax. Where there are more than one resident organisations among the participants of the joint activity which are payers of a value added tax, the resident organisation considered to be a value added tax payer and having the largest investment in the joint activity at the time of concluding the contract on joint activity shall be considered to be the reporting participant of the joint activity;

(5) it is considered to be a resident individual entrepreneur paying a value added tax. Where there are more than one resident individual entrepreneurs among the participants of the joint activity which are payers of a value added tax, the resident individual entrepreneur considered to be a value added tax payer and having the largest investment in the joint activity at the time of concluding the contract on joint activity shall be considered to be the reporting participant of the joint activity;

(6) it is considered to be a resident organisation. Where there are more than one resident organisations among the participants of the joint activity, the resident organisation having the largest investment in the joint activity at the time of concluding the contract on joint activity shall be considered to be the reporting participant of the joint activity;

(7) it is considered to be a resident individual entrepreneur. Where there are more than one resident individual entrepreneurs among the participants of the joint activity, the resident individual entrepreneur having the largest investment in the joint activity at the time of concluding the contract on joint activity shall be considered to be the reporting participant of the joint activity.

4. In cases prescribed by points 1-7 of part 3 of this Article, where at the time of concluding the contract on joint activity there are more than one participants having the largest investment in the joint activity among the participants of the joint activity (in case of two participants — two participants having equal investment), the reporting participant of the joint activity shall be determined by participants based on mutual consent.

5. In case of alterations in the composition of the participants of a joint activity and/or changes in the investments made by the participants of the joint activity in the course of the joint activity, the reporting participant of the joint activity shall not change, except for cases prescribed by part 8 of this Article.

6. An organisation or an individual entrepreneur may be a reporting participant of the joint activity only under one contract on joint activity.

7. The reporting participant of the joint activity shall — prior to the performance of the first transaction within the framework of the joint activity — be obliged to submit to the tax authority a statement in the form prescribed by the tax authority on acting as the reporting participant of the joint activity (with a note on the consent of other participants of the joint activity), by enclosing a copy of the contract on joint activity. Upon receipt of the statement mentioned in this part, the tax authority shall, within five working days, find out whether the conditions prescribed by parts 3 and 4 of this Article for acting as the reporting participant of the joint activity are met and accordingly accept the statement or send it back to the person submitting it, stating in writing the grounds for rejecting the acceptance of the statement. Where the tax authority accepts the statement, the question of admission of the statement cannot be further reconsidered, even if it becomes clear that one of the conditions prescribed by parts 3 and 4 of this Article has not been met. Where the statement is not returned to the person having submitted it within five working days upon receipt of the statement by the tax authority, the statement shall be considered to be accepted by the tax authority from the day following the receipt thereof.

8. Where the reporting participant of the joint activity ceases to be considered to be a party to the joint activity, a new reporting participant of the joint activity shall be elected in accordance with this Article, and a relevant statement with regard to this shall be submitted to the tax authority within five working days following the election in accordance with part 7 of this Article, by enclosing a copy of the contract on joint activity. Upon receipt of the statement mentioned in this part, the tax authority shall, within five working days, find out whether the conditions prescribed by parts 3 and 4 of this Article for acting as the reporting participant of the joint activity are met and accordingly accept the statement or send it back to the person having submitted it, by stating in writing the grounds for rejecting the acceptance of the statement. Should the tax authority accept the statement, the question of admission of the statement cannot be further reconsidered, even if it becomes clear that one of the conditions prescribed by parts 3 and 4 of this Article has not been met. Where the statement is not returned to the person having submitted it within five working days upon receipt of the statement by the tax authority, the statement shall be considered to be accepted by the tax authority from the day following the receipt thereof.

9. In case of termination of the contract on joint activity as prescribed by the legislation, the reporting participant of the joint activity shall be obliged to, within five working days, submit to the tax authority a statement in the form prescribed by the tax authority.

## **CHAPTER 6**

### ***OBLIGATIONS AND RIGHTS OF TAXPAYERS (TAX AGENTS) AND THEIR OFFICIALS***

#### **Article 33. Obligations of taxpayers (tax agents) and their officials**

1. A taxpayer (tax agent) and the official thereof shall be obliged to:

- (1) unless otherwise prescribed by the Code, calculate independently and discharge tax liabilities in the manner and terms prescribed by the Code and the laws of the Republic of Armenia on fees, making also advance fees of taxes and/or fees in the cases and manner prescribed by the Code and the laws of the Republic of Armenia on fees;
- (2) keep records prescribed by the Code and the laws of the Republic of Armenia on fees, and in cases prescribed by legislation, also maintain accounting;
- (3) submit tax calculation reports to the tax authority in the manner and within time limits prescribed by the Code and the laws of the Republic of Armenia on fees;
- (4) submit documents confirming the right to tax benefits;
- (5) ensure retention of documents necessary for the calculation of tax base and submission of tax calculation reports, documents substantiating the amount of income received or expenses incurred, paid (withheld) taxes for a period of not less than five years starting from the reporting period which these documents refer to;
- (6) provide the Armenian translations of settlement documents enclosed with the forms filled in (drawn up in) languages different from Russian and English, without notarial certification;
- (7) post a statement in the form prescribed by the tax authority in a visible place at every address of its activities (and on relevant posters — at the location and (or) places of effective management and operative financial management), indicating the full name of the taxpayer (in case of an individual entrepreneur — the name, surname, father's name of the natural person), the taxpayer identification number, the address of the given place of activity and the type(s) of activity carried out at the given address;
- (8) ensure working conditions for the exercise of tax control, including by furnishing the officials exercising tax control with the documents, data and other information

required for the calculation and payment of a tax or making a payment, the photocopies (the costs for making the photocopies shall be incurred at the expense of the tax authority) or copies thereof;

(9) furnish officials performing comprehensive tax inspection as prescribed by Section 17 of the Code with a copy of the accounting records file created with a computer programme on electronic carrier (for the period included in the instruction on conducting an inspection) upon their written request;

(10) not to interfere with the performance of official duties by officials exercising tax control, comply with their lawful demands;

(11) appoint (authorise) officials substituting them to perform their duties during their absence;

(12) in case of disagreement on the contents of the acts, protocols and their drafts, statements and administrative acts drawn up as a result of tax control and refusal to sign them, make relevant notes in the mentioned documents.

2. A taxpayer (tax agent) and the official thereof shall also have other obligations prescribed by the Code and the laws of the Republic of Armenia on fees.

#### **Article 34. Rights of taxpayers (tax agents) and their officials**

1. A taxpayer (tax agent) and the official thereof shall be entitled to:

(1) apply to the tax authority as prescribed by the Code in order to receive clarification concerning the application of the provisions of legal acts regulating tax relations;

(2) represent — independently or through their authorised representative — their interests at the tax authority;

- (3) enjoy the tax benefits prescribed by the Code and the laws of the Republic of Armenia;
- (4) apply to the tax authority in cases and manner prescribed by the Code in order to return the sums available on the unified amount;
- (5) become familiar with the acts, protocols and their drafts, statements and administrative acts drawn up as a result of tax control;
- (6) submit to the tax authority explanations and clarifications on the results of calculation and payment of taxes and making fees, as well as on the results of tax control;
- (7) prohibit exercise of tax control by the tax authority, not to provide documents or explanations to the officials of the tax authority if the officials exercising tax control have violated the provisions of point 12 of part 1 of Article 35 and/or point 13 of part 1 of Article 36 of the Code and/or the tax authority has violated the provisions of Articles 337-339 and/or Article 341 of the Code, by submitting a written notice to the head of the tax authority within three working days;
- (8) not to comply with the demands irrelevant to the powers of the officials of the tax authority, as well as to the objectives and issues of tax control;
- (9) in any stage of tax control, engage specialists, experts, auditors and/or lawyers;
- (10) appeal — as prescribed by the Code and the legislation — the decisions, actions or inaction of the officials of the tax authority;
- (11) claim compensation for the damages inflicted on them as a result of unlawful decisions adopted by the tax authority and the officials of the tax authority, their actions or inaction in accordance with the legislation of Republic of Armenia.

2. A taxpayer (tax agent) and the official thereof shall also have other rights prescribed by the Code and the laws of the Republic of Armenia on fees.

## CHAPTER 7

### ***OBLIGATIONS AND POWERS OF THE TAX AUTHORITY (OFFICIAL EXERCISING TAX CONTROL)***

#### **Article 35. Obligations of the tax authority (official exercising tax control)**

1. Tax authority (official exercising tax control) shall:

- (1) observe the legislation of the Republic of Armenia, the rights and lawful interests of taxpayers (tax agents);
- (2) conduct record-registration of taxpayers;
- (3) conduct awareness-raising and explanatory works on the application of the provisions of the legal acts regulating tax relations and amendments thereto, inform taxpayers (tax agents) about taxes and fees;
- (4) give relevant clarifications in the prescribed manner to the written, oral or electronic questions submitted to the tax authority by taxpayers (tax agents);
- (5) return to the taxpayer (tax agent) — in cases, manner and terms prescribed by the Code — the sums available on the unified account;
- (6) upon request of a taxpayer (tax agent) furnish a statement — in the manner and form prescribed by the tax authority — on the state taxes paid and state fees made in the Republic of Armenia (including in English and Russian if the taxpayer so requests);
- (7) exercise control over observance of the requirements of the legal acts regulating tax relations;
- (8) carry out investigation in the manner prescribed by law when detecting violations of the legal acts regulating tax relations with implication of an element of crime;
- (9) keep the tax secret, provide — in cases prescribed by law and in the manner prescribed by the legislation — information considered to be a tax secret to the state bodies having the competence to perform works using this information;

(10) consider the appeal lodged by the taxpayer against the actions (inaction) of the tax authority or the tax officer in the manner and terms prescribed by the Code and properly notify the taxpayer of the taken decision;

(11) carry out internal investigation of the violations by tax officers;

(12) while exercising tax control:

a. comply with the requirements of the Code and the laws of the Republic of Armenia;

b. not to step beyond the scope of the objectives and issues specified in the letter of instruction for tax control;

c. introduce taxpayers (tax agent) and their officials to their rights and obligations;

d. not to interfere with the ordinary course of activity of the taxpayer (tax agent);

e. send — within three working days — a written response to any letter of enquiry of the taxpayer (tax agent) or the official thereof directly concerning tax control and the period subject to tax control, except for official clarifications on the provisions of the legal acts regulating tax relations.

2. Tax authority (official exercising tax control) shall also have other obligations prescribed by the Code and the laws of the Republic of Armenia on fees.

## **Article 36. Powers of the tax authority (official exercising tax control)**

1. Tax authority (official exercising tax control) shall be authorised to:

(1) exercise tax control of taxpayers (tax agents) in the manner prescribed by Section 17 of the Code over observance of the requirements of the legislation which reserves powers to the tax authority as defined in the referred Section;



- (2) independently calculate, re-calculate, adjust tax liabilities of the taxpayer (tax agent) in cases and in the manner prescribed by the Code;
- (3) within the powers reserved to the tax authority by legislation exercise tax control, as prescribed by the Code, among the taxpayers carrying out activity subject to licensing or notification or permission without a licence or a notification or a permit (including for the utilisation of subsurface or natural resources) prescribed by law;
- (4) take measurements, conduct inventory taking, test purchases as prescribed by the Code;
- (5) keep, bear, use arms and ammunition through tax officers as prescribed by law;
- (6) carry out operational and intelligence measures as prescribed by law upon existence of any information on tax offences pending, in progress or committed, as well as other facts and circumstances indicative of commitment of a tax crime;
- (7) guided by operational need, use the vehicles and means of communication of organisations and natural persons, by reimbursing the expenses as prescribed by legislation;
- (8) submit petitions to the authorised bodies on withdrawing or suspending the operation of licences or notifications or permits issued to organisations and natural persons;
- (9) for the purpose of taking relevant measures, submit proposals to other state bodies performing inspection with regard to the abusive practices and other violations revealed while exercising tax control which entail administrative or criminal liability;
- (10) file a claim with the court, act as a plaintiff or a defendant in court, issue powers of attorney for managing the case in court;
- (11) for the purpose of satisfying tax liabilities, put a lien on the property of the taxpayer (tax agent) in cases and manner prescribed by the Code;

(12) provide clarifications on the application of the provisions of the legal acts regulating tax relations;

(13) while exercising tax control:

a. require only documents, data, explanations, statements, calculation reports and other information which are directly related to the objectives and issues of the tax control exercised within the scope of their competence;

b. in cases prescribed by the Code and in the manner prescribed by the Government of the Republic of Armenia, receive documents (including in the form of originals, copies or photocopies), items (including computer equipment for the breakdown of computer programmes) or samples which are directly related to the objectives and issues of tax control and taking whereof does not interfere with the ordinary course of activity of the taxpayer. Immediately upon withdrawal of the request but no later than three years following the taking of the documents they shall be returned to the taxpayer;

c. have unfettered access to office, commercial, production, storage, archive premises and other premises and constructions used for the activities of the taxpayer in the presence of the representative of the taxpayer undergoing tax control; seal these premises and constructions when conducting inventory taking, taking measurements, and in other cases prescribed by the Code, seal cash registers, car bodies, car trunks, tanks, inspect the premises and constructions mentioned in this point, as well as of vehicles, documents and items;

d. when required, engage specialists of the taxpayer (tax agent) in tax control with the consent of a taxpayer (tax agent) or the official thereof;

e. exclusively within the scope of the objectives and issues of tax control, require from a taxpayer (tax agent) or the official thereof to conduct recognition of assets and liabilities, by also engaging relevant employees and specialists of the taxpayer (tax agent);

- f. engage specialists, experts and translators as prescribed by the Code;
  - g. require to eliminate the revealed violations of the legal acts regulating tax relations as prescribed by the Code.
2. Tax authority (officials exercising tax control) shall also have other powers prescribed by the Code and the laws of the Republic of Armenia on fees.

## **SECTION 3**

### **TAX LIABILITIES, REPORTING SYSTEM AND SETTLEMENT DOCUMENTS**

## **CHAPTER 8**

### ***TAX LIABILITY AND SETTLEMENT THEREOF***

#### **Article 37. Place of supply of goods**

1. Place of supply of goods shall be the Republic of Armenia if at the time of supply it is located in the territory of the Republic of Armenia or if the goods are exported from the Republic of Armenia.
2. Where the Republic of Armenia — in accordance with part 1 of this Article — is not considered to be the place of supply of goods, the place of supply of goods shall be considered to be outside the Republic of Armenia.

#### **Article 38. Time of supply of goods**

1. Unless otherwise prescribed by the Code or this Article, the time of supply of goods shall be the earliest point in time referred to in this part:

(1) the time when the goods are delivered to another person, except for cases where the right of ownership of goods — in accordance with the contract on supply of goods — is transferred to another person at other time which shall be considered to be the time of supply of goods, or

(2) the time when the delivered goods are received by another person, except for cases where the right of ownership of goods — in accordance with the contract on supply of goods — is transferred to another person at other time which shall be considered to be the time of supply of goods.

2. Where the right of ownership of goods is subject to state registration, the time of supply of these goods shall be the time of state registration of the right of ownership of the goods.

3. Where the financial lease (leasing) contract provides that the right of ownership of the subject of the lease may be transferred to the lessee upon expiration of the contract, the time of supply of goods being the subject of the lease shall be the last day of every reporting period for the relevant tax type, in the amount equal to the credited lease fees provided for by the lease contract.

### **Article 39. Place of performance of works and/or provision of services**

1. The place of performance of works and/or provision of services shall be the Republic of Armenia where:

(1) the performed works and/or the provided services are directly related to the immovable property located or being built or to be built in the territory of the Republic of Armenia. The works and/or services specified in this point shall refer, in particular, to:

- a. the works and services pertaining to preparation and performance of construction works (including investigation, planning, design, installation works, designer and technical supervision);
- b. works and services related to repair, restoration and landscaping of immovable property;
- c. works performed and services provided by real estate agents and experts (including services of real estate valuation);
- d. services involving lease (including financial lease (leasing) or use of the immovable property;

(2) performed works and/or provided services are directly related to the movable property (including vehicle) located and/or record-registered in the territory of the Republic of Armenia, except for services involving lease (including financial lease (leasing) or use of the vehicle, the place of provision whereof shall be determined as prescribed by point 6 of this part;

(3) services in the fields of culture, art, teaching (education), science, health, physical education, tourism, leisure and sport shall be actually provided in the territory of the Republic of Armenia;

(4) an organisation which — in accordance with Chapter 4 of the Code — is considered to be located in the Republic of Armenia or a natural person the place of residence whereof — in accordance with Chapter 4 of the Code — is considered to be the Republic of Armenia or a permanent establishment accepting these works or receiving these services (including in cases where the works are directly accepted or the services are directly received by a non-resident organisation or a non-resident natural person but they are actually used (consumed) by their permanent establishments):

- a. services related to issuing patents, licences, notifications, permits, logos, trademarks, copyright and other similar services;
- b. works, services pertaining to the development of programmes for electronic data processing machines and databases (computing technology software tools and information products), services pertaining to the adjustment and modification thereof;
- c. consulting, legal, accounting, auditing, engineering, advertising, design, marketing services, information processing (including information collection and fusion) and transfer (transmission), scientific research, experimental and construction and experimental and technology (technology) works, as well as other services similar to the services mentioned in this sub-point;
- d. services pertaining to the provision of works as performed by the staff (employees) of the service provider where the staff perform these works at the place of business of the service receiver;
- e. services involving lease (including financial lease (leasing) or use of movable property (except for means of transport);
- f. agent services pertaining to involvement of an organisation and/or a natural person performing works and/or providing services prescribed by this point to the customer;

(5) only transport services related to transportation of cargo and/or passengers which begin and end in the territory of the Republic of Armenia shall be provided by a non-resident organisation having no permanent establishment or a non-resident natural person having no permanent establishment in the Republic of Armenia;

(6) in accordance with Chapter 4 of the Code, the organisation or the permanent establishment performing works and/or providing services shall be considered to be located or the place of residence of the natural person performing works and/or

providing services shall be considered to be in the Republic of Armenia, unless otherwise prescribed by points 1-4 of this part.

2. Where the place of performance of works or provision of services — in accordance with part 1 of this Article — is not considered to be in the Republic of Armenia, the place of performance of works or provision of services shall be considered to be outside the Republic of Armenia.

3. Where several types of works are performed and/or several types of services are provided by an organisation or a natural person, and performance of one type of works or the provision of one type of services is considered to be complementary to the performance of other types of works and provision of other types of services, the place of performance of complementary works and provision of complementary services shall be the place of performance of principal works and provision of principal services.

4. For the purposes of the Code:

(1) characterisation of works or services shall be carried out in accordance with the classifier of types of economic activity applicable in the Republic of Armenia;

(2) a work or a service shall be considered similar to the work or the service mentioned in the relevant Article, part, point or sub-point of the Code where it is included in the class of classifier of types of economic activity applicable in the Republic of Armenia which includes the work or the service mentioned in the given Article, part, point or sub-point respectively.

#### **Article 40. Time of performance of work and provision of service**

1. Time of provision of public services and communal services shall be the last day of every month.

2. Time of provision of services involving lease or financial lease (leasing) (unless where the contract provides that the right of ownership of the object of the leasing — upon expiration of the contract — may pass on to the lessee) or services involving use of property shall be the last day of the reporting period for each relevant tax type, and where the contract on provision of these services provides that provision of services shall be concluded before the last day of reporting period, the time of provision of services shall be the last day when services have been provided.

3. Time of provision of subscription-based services (in particular, services involving use of rights to computer programmes, databases, patents, licences, notifications, permits, logos, trademarks, copyright and other similar rights) shall be the last day of every month and where other time-limits (phases) for provision of services are specified in the contracts on provision of these services, the last day of these time-limits (phases) shall be considered to be the time of provision of these services.

4. Unless otherwise prescribed by the Code, the time of performance of works or provision of services not mentioned in parts 1-3 of this Article shall be the earliest point in time referred to in this part:

(1) the point in time when:

a. those performing the work pass on the right of ownership of the result of the work to those accepting the work;

b. those providing the service complete the performance of the activity in favour of those receiving the service (including based on phases prescribed by the contract);

c. those providing the service transfer the right of ownership of an intangible asset or a financial asset to those receiving the service;

(2) those accepting the work and/or receiving the service shall approve the settlement document issued by those performing the work and/or providing the service with regard to the transaction on performance of the work and/or provision of the service.



5. Where the time of performance of the works or provision of the services mentioned in parts 1-3 of this Article cannot be determined as prescribed by part 4 of this Article, the time of performance of these works or provision of these services shall be:

(1) the point in time when the organisation or the natural person performing the work and/or providing the service — in accordance with the contract on performance of the work and/or provision of the service — acquired the right to terminate performance of the work and/or provision of the service without returning previously received sum corresponding to the part of the work which was not performed and/or the service which was not provided (except for the sum considered to be an advance payment by law);

(2) the last day of the reporting period during which it became clear that those accepting the work and/or receiving the service have already accepted the work and/or received the service at least during that reporting period and in the case provided for by the contract on performance of the work and/or provision of the service — the work and/or the service to be provided during the given phase.

**Article 41.           Declaring a transaction involving supply of goods,  
                                  performance of works and/or provision of services as invalid**

1. For the purpose of the Code, a transaction involving supply of goods, performance of works and/or provision of services shall be declared as invalid by the decision of the court.

2. The transaction declared invalid shall not entail any legal consequences (including rights and obligations) for the parties prescribed by the Code.

3. The settlement document issued previously with regard to the transaction declared invalid shall — in accordance with Article 56 of the Code — be declared as invalid.

4. In case of declaring a transaction as invalid, taxpayers considered to be parties to the transaction shall — in accordance with the relevant Sections of the Code — reflect the results of invalidation of the transaction in the relevant tax calculation reports submitted to the tax authority for the reporting period including the day of the decision of the court prescribed by part 1 of this Article.

5. Where there are no grounds for declaring invalid a transaction involving supply of goods, performance of works and/or provision of services prescribed by part 1 of this Article but the parties to the transaction have declared it invalid, then invalidation of the transaction shall not be taken into account.

**Article 42.                    Adjustment of the transaction involving supply of goods,  
   performance of works and/or provision of services**

1. For the purposes of the Code, the transaction on supply of goods, performance of works and/or provision of services shall be adjusted in the following cases:

(1) the subject of the transaction is a product with an expiry date (period of storage) and the written contract concluded between the parties to the transaction provides that if the products are not disposed by the buyer within the specified time-limits, they shall be returned to the seller. For the purposes of this point, the condition for the existence of the written contract concluded between the parties to the transaction shall be considered to be fulfilled where more than one transactions on supply of products with an expiry date (period of storage) are being executed within the framework of one single contract;

(2) the subject of the transaction is a public or communal service and the written contract concluded between the parties to the transaction provides that the scope of these services can be adjusted following the end of the reporting period;

- (3) at least one of the parties to the transaction acts in one of the special taxation systems prescribed by Section 13 of the Code with regard to the given transaction;
- (4) the quantity, volume and/or qualitative characteristics of the product that constitutes the subject of the transaction — in accordance with the contract on the supply of products — are checked by the buyer when accepting the goods and it becomes clear that none of them conforms to the conditions prescribed by the contract;
- (5) the subject of the transaction is a product supplied, work performed or a service provided within the framework of public procurement;
- (6) in other cases not prescribed by part 1 of Article 41 of the Code and part 10 of Article 56 of the Code.

2. The adjusted transaction shall entail legal consequences, including rights and obligations prescribed by the Code for parties thereto only with regard to the part which remains after adjustment of the transaction.

3. The settlement document previously issued with regard to the adjusted transaction shall continue to be considered to be a valid document but the supplier of goods, performer of works and/or provider of services based on the adjusted transaction shall — in the manner prescribed by Article 56 of the Code — issue a relevant adjusted settlement document prescribed by Article 55 of the Code.

4. In case of adjustment of the transaction, taxpayers considered to be parties to the transaction (except for the taxpayers prescribed by part 5 of this Article) shall be obliged to do the following with the results of the adjustment of the transaction:

- (1) represent them with regard to VAT and excise tax in the tax calculation reports carried out by them and submitted to the tax authority as prescribed by Articles 52 and 53 of the Code for the reporting period including the day of issuance of the adjusting settlement document where as a result of adjustment of the transaction, the amounts of tax liability and the tax subject to offset (reduction) have decreased;

(2) represent them with regard to VAT and excise tax in the tax calculation reports carried out by them and submitted to the tax authority as prescribed by Articles 52 and 53 of the Code for the reporting period including the day of performance of the principal transaction where as a result of adjustment of the transaction, the amounts of tax liability and the tax subject to offset (reduction) have increased;

(3) represent them with regard to other taxes and the payment for the use of natural resources in the tax calculation reports carried out by them and submitted to the tax authority as prescribed by Articles 52 and 53 of the Code for the reporting period including the day of performance of the principal transaction.

5. Taxpayers providing public services shall be obliged to reflect the results of the adjustment of the transaction in accordance with the legal acts adopted by the authorised body regulating the field of public services in the tax calculation reports carried out by them and submitted to the tax authority as prescribed by Articles 52 and 53 of the Code for the reporting period including the day when adjustments have been made in the volume of the goods supplied, the work performed and/or the service provided within the framework of the transaction.

6. Where there are no grounds for adjustment of the transaction involving supply of goods, performance of works and/or provision of services but the supplier of the goods, performer of works and/or provider of services have adjusted the transaction (issued a adjusting settlement document), the adjustment of the transaction shall not be taken into account.

#### **Article 43. Tax liability**

1. Tax liability shall mean the obligation of a taxpayer to pay the sums of any type of a tax and/or fees, as well as the amounts of fines, penalties and fees for the compensation of damages calculated for violation of the provisions of the Code and/or the laws of the Republic of Armenia on fees as prescribed by the Code and/or the laws of the Republic of Armenia on fees, except for cases prescribed by part 2 of this Article.

2. For the purposes of Section 16 of the Code, tax liability shall comprise only the obligation of a taxpayer to pay taxes (except for the road tax, local taxes, as well as amounts of the liability with regard to the environmental tax for which — in accordance with Section 8 of the Code — no requirement for submitting a tax calculation report is prescribed), social payment, payment for the use of natural resources (except for the liability with regard to nature utilisation payment for which — in accordance with Section 10 of the Code — no requirement for submitting a tax calculation report is prescribed) and the mandatory payment for the regulation of public services, as well as the amounts of the fines, penalties and fees for the compensation of damages calculated for the violation of the provisions of the Code and/or the laws of the Republic of Armenia on fees as prescribed by the Code and/or the laws of the Republic of Armenia on fees mentioned in this part.

#### **Article 44.           Emergence of tax liability**

1. Tax liability shall emerge in cases prescribed by the Code or the laws of the Republic of Armenia on fees.

2. In case of revealing violations of the requirements of the Code and the laws of the Republic of Armenia on fees as a result of inspections performed as prescribed by Section 17 of the Code and the studies prescribed by points 2-6 of part 5 of Article 343 of the Code no tax liability may arise where the given violation has been revealed upon completion of the third tax year immediately following the tax year in the course of which it had been committed, and when revealing violations of the requirements of the Sections of the Code on tax on immovable property and property tax on vehicles, no tax liabilities may arise if the given violation has been revealed upon completion of the tenth tax year immediately following the tax year in the course of which it had been committed.

3. For the purposes of part 2 of this Article, the tax year in the course of which the violation has been committed shall be the tax year including the last day of the time-limit for submitting the relevant tax calculation report comprising a violation to the tax authority as prescribed by the Code and the laws of the Republic of Armenia on fees.

4. The statute of limitations prescribed by part 2 of this Article shall be suspended where the inspection or the assessment of liabilities in any other way becomes impossible owing to the absence of the taxpayer or the official of the taxpayer or due to other circumstances emerged. The statute of limitations prescribed by part 2 of this Article shall be suspended on grounds prescribed by this part from the moment of establishment of the fact of existence of these grounds (or one of them) by the relevant official of the tax authority as prescribed by the Government of the Republic of Armenia. The term for the statute of limitations shall continue following termination of the grounds for suspension prescribed by this part if the tax authority or the relevant official of the tax authority knew or could have known about the termination of grounds for suspension.

5. Tax liabilities cannot be changed under the tax calculation report submitted by a taxpayer if they pertain to the reporting period after the last day of which three years have passed.

6. Where the tax authority has detected inaccuracies in the tax calculation reports submitted by the taxpayers which cannot be verified by submitting verified tax calculation reports in cases and manner prescribed by the Code or where the tax liabilities of the taxpayer need to be re-assessed in cases prescribed by the Code or the laws of the Republic of Armenia on fees, these liabilities may be verified as prescribed by the tax authority without performing inspections (including re-inspections) among the taxpayers. Where as a result of verification of tax liabilities prescribed by this part, a tax liability arises or it entails increase in the existing tax liability, the taxpayer shall be exempt from the application of the penalty prescribed by

the Code for reporting a smaller taxable object. For the purposes of this part, verification of tax calculation reports shall not be carried out:

- (1) where the time-limits for imposing tax liabilities prescribed by part 2 of this Article have expired;
- (2) where the statute of limitations entailing alterations in tax liabilities as prescribed by part 5 of this Article have expired and where verification of the tax liability results in the reduction of the tax liability or in the increase of offset (reduced) amounts;
- (3) for the duration of the inspections or examinations carried out with the taxpayers, as well as throughout the suspension period.

7. Information on taxpayers obtained in violation of the Code and other laws of the Republic of Armenia cannot serve as a basis for calculation and levying of tax liabilities.

8. No information shall serve as a basis for calculation and levying of the tax liability of the taxpayer until the taxpayer has not had the opportunity to study them and provide relevant explanations, except for the information in the form prescribed by the tax authority on the additional tax liabilities with regard to taxes and/or fees having arisen during the bankruptcy proceedings which has been submitted to the tax authority by the manager on behalf of the debtor from the moment of the suspension of the activities of the latter in accordance with the Law of the Republic of Armenia “On bankruptcy” and based on which the tax liabilities of the debtor are calculated.

#### **Article 45. Termination of tax liability**

1. Tax liability shall terminate:

- (1) where it has been satisfied;
- (2) where a tax benefit in the form of exemption from or reduction in the tax liability is prescribed in the amount of the exempted or reduced liability;

(3) where the case on bankruptcy of an organisation or a natural person is terminated with a court judgment having entered into legal force and where no person is held responsible — in accordance with the Code — for the failure to discharge the tax liability;

(4) where it becomes uncollectible and is not levied in course of five years after the reporting thereof as uncollectible;

(5) in case of death of a natural person, except for cases prescribed by part 1 of Article 51 of the Code;

(6) in cases prescribed by the laws of the Republic of Armenia on fees.

2. For the purposes of point 4 of part 1 of this Article, outstanding tax liabilities shall be considered to be uncollectible where:

(1) the enforcement proceedings on confiscation of tax liabilities of a natural person who is not an individual entrepreneur or a notary have been terminated on grounds that it is impossible to find out the location of the debtor or his or her property or where the debtor does not have any property or income or he or she does not have sufficient property to satisfy the demands of the claimant;

(2) the enforcement proceedings on confiscation of tax liabilities of an organisation or an individual entrepreneur or a notary not exceeding one million Armenian drams on grounds that it is impossible to find out the location of the debtor or his or her property or where the debtor does not have any property or income or he or she does not have sufficient property to satisfy the demands of the claimant if there are no grounds for declaring the individual entrepreneur or the notary as bankrupt;

(3) the deceased natural person or the natural person declared as deceased by a judgment of the court does not have any heirs or the heir(s) repudiate the inheritance;

(4) termination of the activities of an individual entrepreneur based on the judgment of the court on terminating the case on bankruptcy of an individual entrepreneur or a



notary results in a state registration or removal of an individual entrepreneur from state record-registration or removal of the notary from the position.

3. The tax authority shall maintain separated accounting with regard to uncollectible tax liabilities. The uncollectible tax liability terminated on grounds prescribed by point 4 of part 1 of this Article shall be removed from the records. The procedure for record-keeping of tax liabilities considered to be uncollectible and the procedure for the removal thereof from the records shall be prescribed by the Government of the Republic of Armenia and the procedure for record-keeping of other tax liabilities and removal thereof from the records shall be prescribed by the tax authority.

#### **Article 46. Discharging (satisfying) the tax liability**

1. Discharging (satisfying) tax liability through the unified account shall mean the crediting of the tax subject to payment and calculated in accordance with the Code, as well as the sums of fines and/or penalties from the unified account to the treasury account of the state budget keeping records of the liability with regard to the relevant tax.

2. Discharging (satisfying) tax liability not through the unified account shall mean the action when the tax subject to payment, as well as the sums of fines and/or penalties calculated in accordance with the Code:

(1) are paid to the treasury account of the state budget keeping records of the liability with regard to the relevant tax;

(2) are offset from the treasury account of the state budget keeping records of the liability with regard to other tax, which is not settled through the unified account, to the treasury account of the state budget keeping records of the liability with regard to the given tax.

3. Discharging (satisfying) tax liability with regard to local taxes shall be the payment of the tax due calculated in accordance with the Code, as well as the payment of the sums of fines and/or penalties to the treasury account of the local budget keeping records of the liability with regard to the relevant tax.
4. Where prescribed by the Code, the duty to discharge tax liability may be placed on a tax agent, a trust manager, the reporting participant of the joint activity, the commission agent, an agent acting on his or her behalf when carrying out the transaction, as well as joint liability may be prescribed with regard to discharging tax liabilities.
5. Tax liabilities shall be satisfied before the time-limits prescribed by the Code and the laws of the Republic of Armenia on fees, except for cases prescribed by the Code.
6. Where the tax liability is not discharged or is partly discharged before the time-limits prescribed by the Code and the laws of the Republic of Armenia on fees, the tax authority and in case of local taxes and local fees — the local self-government body shall be authorised to undertake measures securing the discharge of tax liabilities as prescribed by Section 19 of the Code.

**Article 47. Discharging tax liabilities in case of liquidation of the organisation**

1. Discharging tax liabilities of an organisation undergoing liquidation shall rest with the Liquidation Committee of the organisation on the account of the financial resources of the organisation, including the financial resources generated from the sale of property. The Liquidation Committee shall be obliged to include the tax liability in the liquidation balance sheet.
2. In cases prescribed by point 1 of part 3 of Article 54 of the Code, the tax liabilities having arisen based on the submitted tax calculation reports shall be satisfied before or on the tenth working day following the submission thereof.

3. Where the organisation undergoing liquidation has overfees, these sums shall be included in the liquid asset and directed for satisfying liabilities of the organisation undergoing liquidation.

**Article 48. Discharging tax liabilities in case of withdrawing the individual entrepreneur from state record registry**

1. An individual entrepreneur shall be entitled to submit an application to the tax authority on undergoing a comprehensive tax inspection prior to submitting an application on being removed from state record-registration.

2. Where a natural person who is not an individual entrepreneur has not applied to the tax authority on undergoing a comprehensive tax inspection as prescribed by the Code prior to being removed from state record-registration, the tax authority shall be entitled to perform a comprehensive tax inspection of the natural person as prescribed by the Code in the course of three years following the day of removal of the individual entrepreneur from state record-registration.

**Article 49. Discharging tax liabilities in case of reorganisation of the organisation**

1. Tax liabilities of a reorganised organisation shall be satisfied by the legal successor (legal successors) of the organisation as prescribed by this Article.

2. In case of consolidation of organisations, the legal successor responsible for discharging tax liabilities shall be the organisation established as a result of consolidation of these organisations.

3. In case of absorption of organisations, the legal successor responsible for discharging tax liabilities shall be the organisation which has been affiliated with by the other organisation.

4. In case of division of an organisation, the legal successor responsible for the discharge of tax liabilities shall be the organisations established as a result of the breakdown in accordance with the division balance sheet.
5. In case of separation of one or more organisations from the organisation, the tax liabilities of the reorganised legal person shall pass on to each of the separate organisations in accordance with the division balance sheet.
6. In case of restructuring of an organisation, the legal successor responsible for satisfying tax liabilities shall be the organisation established as a result of the reorganisation of the organisation.

**Article 50. Discharge of tax liabilities in case of joint activity**

1. The participants of the joint activity shall bear joint responsibility for the discharge of tax liabilities with regard to the joint activity.
2. In case of full discharge of tax liabilities with regard to the joint activity by the reporting participant of the joint activity or one of the participants of the joint activity, the tax liabilities with regard to this activity shall be considered to be discharged by all the other participants of the joint activity.

**Article 51. Discharge of tax liabilities and return of taxes in case of death of the natural person or declaring the natural person as dead by the judgment of the court**

1. In case of death of the natural person or declaring the natural person as dead by the judgment of the court, the tax liabilities (except for the tax liabilities with regard to the tax on immovable property and/or property tax on vehicles) existing as of the day of the death shall be discharged by his or her heir (in case of more than one heirs, the tax liabilities shall be discharged by the heirs proportionally to the market value of the

inherited property which constitutes the object of the entrepreneurial activity), except for cases prescribed by part 2 of this Article. In case of death of the natural person or declaring the natural person as dead by the judgment of the court, his or her outstanding tax liabilities with regard to the tax on immovable property and/or property tax on vehicles as of the day of death shall be discharged as prescribed by Sections 11 and 12 of the Code respectively.

2. Where the heir of the deceased natural person or the natural person declared dead by the judgment of the court repudiates the inheritance of the property which constitutes the object of the entrepreneurial activity, he or she shall be exempt from discharge of tax liabilities.

3. The heir of the deceased natural person or the natural person declared dead by the judgment of the court may apply to the tax authority of the place of record-registration of the deceased natural person or the natural person declared dead by the judgment of the court or to the relevant local self-government body keeping records of the taxable objects taxed under local taxes to find out the amount of the tax liability delegated to him or her, and these bodies shall be obliged to provide information on the amount of the tax liabilities delegated to the heir within five working days following the receipt of the application.

4. The heir of the deceased natural person or the natural person declared dead by the judgment of the court shall be obliged to — within five working days following the time-limit prescribed by part 3 of this Article — provide information to the tax authority of the place of record-registration of the deceased natural person or the natural person declared dead by the judgment of the court or to the relevant local self-government body keeping records of the taxable objects taxed under local taxes in order to undertake the discharge of tax liability delegated to him or her or to repudiate the inheritance in accordance with part 2 of this Article.

5. Notaries shall be obliged to provide information to the tax authority on the property inherited by the heir (heirs) of the deceased natural person or the natural person declared dead by the judgment of the court which constitutes the object of the entrepreneurial activity and which was revealed within the framework of the notary services provided by them during the reporting quarter for every reporting quarter before or on the 20<sup>th</sup> day of the month following the given reporting quarter as prescribed by the Government of the Republic of Armenia.

6. The heir of the deceased natural person or the natural person declared dead by the judgment of the court shall be obliged to discharge the tax liability delegated to him or her based on the administrative act drawn up as prescribed by the Law of the Republic of Armenia “On fundamentals of administrative action and administrative proceedings” prior to or on 1 December of the tax year including the day of accepting the inheritance.

7. In case of death of the natural person or declaring the natural person as dead by the judgment of the court, the debit amounts of the tax available on the personal account as of the day of the death, the remaining balance of the unified account, as well as the overfees shall be subject to return to the heir (in case of more than one heirs, proportionally to the market value of the inherited property which constitutes the object of the entrepreneurial activity).

8. Where the heir of the deceased natural person or the natural person declared dead by the judgment of the court undertakes — in accordance with part 1 of this Article — the obligation to discharge the outstanding tax liabilities of the deceased natural person or the natural person declared dead by the judgment of the court, the sums prescribed by part 7 of this Article shall be subject to return only if the tax liabilities have been discharged in full.

9. The heir of the deceased natural person or the natural person declared dead by the judgment of the court can apply to the tax authority of the place of record-

registration of the deceased natural person or the natural person declared dead by the judgment of the court or to the relevant local self-government body keeping records of the taxable objects taxed under local taxes to find out the amount of the tax sums prescribed by part 7 of this Article, and these bodies shall be obliged to provide information on the amount of these tax sums within five working days following the receipt of the application.

10. The tax amounts prescribed by part 7 of this Article shall be allocated to the heir of the deceased natural person or the natural person declared dead by the judgment of the court before 1 December of the tax year including the day of acceptance of the inheritance unless otherwise prescribed by part 8 of this Article.

11. The tax liabilities prescribed by part 1 of this Article shall be discharged by the heir of the deceased natural person or the natural person declared dead by the judgment of the court and the tax amounts prescribed by part 7 of this Article shall be allocated to the heir of the deceased natural person or the natural person declared dead by the judgment of the court as prescribed by the tax authority.

## **CHAPTER 9**

### ***TAX CALCULATION REPORTS***

#### **Article 52. Tax calculation report and drawing up thereof**

1. Tax calculation report shall be the written information submitted by the taxpayer (in cases prescribed by the Code, the tax agent, trustee, reporting participant of a joint activity, commission agent, agent acting on behalf thereof in executing the transaction, in case of minor natural persons, also the parent or guardian or curator) to the tax authority with regard to the tax or fee calculated within the reporting period or for any transaction or operation considered a taxable object prescribed by the Code.

2. Tax calculation reports shall mandatorily be completed with the following data:

- (1) full name of the taxpayer;
- (2) location of the taxpayer;
- (3) taxpayer identification number, and in case of value added taxpayers, also the taxpayer identification number of VAT payer;
- (4) reporting period for which the tax calculation report is submitted;
- (5) signature of the taxpayer (official of the taxpayer) or the authorised person of the taxpayer.

3. Tax calculation reports (including the verified ones) submitted for the joint activity by the reporting participant of a joint activity shall reflect the indicators (results) relating to the joint activity as well as expressly relating to the reporting participant of a joint activity. For the purpose of verifying the tax liabilities with regard to the joint activity, where necessary, and ensuring the collection thereof, the tax authority of the record-registration of the reporting participant of a joint activity shall have the right to request, in writing, the reporting participant of a joint activity to submit additional written information on indicators (results) relating to the joint activity included in the general indicators reflected in the tax calculation reports submitted thereby. The reporting participant of a joint activity shall be obliged to submit the information prescribed by this part within five working days after receiving the relevant request from the tax authority.

4. Forms of tax calculation reports and the procedure for completing them shall be prescribed by the tax authority (including together with those agencies, where a requirement to submit the tax calculation report also to other agencies in the cases prescribed by the Code is laid down). Irrespective of the data prescribed by part 2 of this Article and subject to mandatory completion in the tax calculation report, personal data with regard to the natural person, including name, surname, passport data,



number of public services, address of the place of residence or place of record-registration, phone number, information about family members shall be subject to mandatory completion in the tax calculation report form, if so envisaged.

### **Article 53. Submission of tax calculation report**

1. Taxpayer (in cases prescribed by the Code, the tax agent, trustee, reporting participant of a joint activity, commission agent, agent acting on behalf thereof in executing the transaction, in case of minor natural persons, also the parent or guardian or curator) shall submit the tax calculation reports to the tax authority following the end of the reporting period within the time limits prescribed by the Code and laws of the Republic of Armenia on fees, except for the cases prescribed by parts 3 and 4 of this Article.
2. Tax calculation reports submitted to the tax authority for the given reporting period before the end of the reporting period shall be considered not submitted, except for the cases prescribed by part 3 of this Article.
3. Tax calculation may be submitted before the end of the reporting period, where:
  - (1) the organisation is liquidated (a separate subdivision of the organisation or of the establishment is removed from state record-registration);
  - (2) the individual entrepreneur is removed from state record-registration;
  - (3) notary is dismissed from the position.
4. Pursuant to Chapter 57 of the Code, the statement on paying patent tax may be submitted before the end of the reporting period.
5. Tax calculation reports shall be submitted to the tax authority in electronic form, except for the following:

(1) tax calculation reports that contain information considered a secret and/or subject to limited use. The tax calculation reports referred to in this point may be submitted to the tax authority also in paper form;

(2) cases prescribed by the Government of the Republic of Armenia when tax calculation reports may be submitted also in paper form.

6. Where the soft copy of the tax calculation report is not posted on the website of the tax authority until the last day of the relevant reporting period, with respect to the application of sanctions prescribed by the Code for late submission of the tax calculation report, the deadline, prescribed by the Code or laws of the Republic of Armenia on fees, for submitting relevant tax calculation report shall be extended by the number of days covering the last day of the relevant reporting period until the day of posting the soft copy of the tax calculation report on the website of the tax authority.

7. The day of submission of the tax calculation report in electronic form shall be considered the day specified in the relevant electronic notice confirming the receipt and registration of the tax calculation report automatically submitted to the taxpayer by the electronic system of the tax authority for accepting tax calculation reports, and the day of submitting the tax calculation report to the tax authority in paper form shall be considered the day specified in the date-stamp impression of the day the post office received the tax calculation report.

8. Where the taxpayer (in cases prescribed by the Code, the tax agent, trustee, reporting participant of a joint activity, commission agent, agent acting on behalf thereof in executing the transaction, in case of minor natural persons, also the parent or the guardian or curator) shall submit a statement to the tax authority in the form approved by the tax authority:

(1) on terminating activities starting from any day for an indefinite period of time, the taxpayer shall not submit tax calculation reports (including “zero”) to the tax

authority for the entire reporting periods prescribed by the Code or by the laws of the Republic of Armenia on fees for any type of tax or fee and included in the time period between the day of terminating the activities indicated in the statement (but not earlier than the day of submitting the statement on terminating the activities) and the day of resuming the activities indicated in the statement on resuming the activities submitted in the form approved by the tax authority (but not earlier than the day of submitting the statement on resuming the activities), except for the tax calculation reports prescribed by part 9 of this Article;

(2) on terminating activities starting from any day for a certain period of time, the taxpayer shall not submit tax calculation reports (including “zero”) to the tax authority for the entire reporting periods prescribed by the Code or the laws of the Republic of Armenia on fees for any type of tax or fee and included in the time period between the day of terminating the activities indicated in the statement (but not earlier than the day of submitting the statement on terminating the activities) and the day of resuming the activities indicated in the statement on resuming the activities submitted in the form approved by the tax authority (but not earlier than the day of submitting the statement on resuming the activities), except for the tax calculation reports prescribed by part 9 of this Article.

For the purposes of this part:

(1) in case the activities are terminated for a certain period of time, the activities of the taxpayer shall be considered to be resumed from the day of resuming the activities indicated in the statement of the taxpayer, in case the activities are terminated for an indefinite period of time, the activities of the taxpayer shall be considered to be resumed from the day of resuming the activities indicated in the statement of the taxpayer on resuming the activities;

(2) in case the taxpayer resumes the activities within the time period of termination of the activities and does not submit a relevant statement thereon, the tax calculation reports shall be submitted as prescribed by the Code.

9. For the purposes of part 8 of this Article, the following shall not be considered to be resumption of the activities:

(1) the calculation by the taxpayer of the salary of the employees thereof as prescribed by the legislation (including for the period of forced idleness), in which case the taxpayer, as a tax agent, shall submit a monthly summary calculation report of the income tax and social contribution;

(2) incurring administrative expenses, including paying rentals and interests or paying for subscription-based services (in particular, public services or utility services or services of using computer programmes, databases, patents, licenses, notices, authorisations, logos, trademarks, copyrights and other similar rights), in which case the taxpayer shall submit to the tax authority the tax calculation reports necessary for the declaration of expenses referred to in this point and prescribed by the Code;

(3) receiving income from the accrued interests against the monetary funds deposited or available on the current account, in which case the taxpayer shall submit to the tax authority the tax calculation reports necessary for the declaration of the incomes referred in this point and prescribed by the Code;

(4) submitting a statement on being a turnover taxpayer prescribed by Article 254 of the Code or a statement on being an entity of family entrepreneurship prescribed by Article 267 of the Code and relevant documents certifying the fact that persons engaged in the family entrepreneurship are members of the family;

(5) paying taxes, fees or other fees prescribed by the legislation of the Republic of Armenia;

(6) making fees to partner taxpayers and/or receiving fees therefrom, ratifying (approving) the settlement documents issued by the partner taxpayers in respect of expenses prescribed by point 2 of this part;

(7) submitting calculation reports or verified tax calculation reports for the reporting periods prior to the termination of the activities;

(8) performing audit (including audit of financial statements) at the taxpayer.

10. Tax calculation report with regard to the calculated tax or fee may not be submitted in cases when the tax calculation report relates to the following:

(1) the reporting period that has already been inspected by the tax authority (and in cases prescribed by the Code, where tax calculation reports are submitted to other authorised bodies — by that body) in respect of the given type of tax;

(2) the reporting period the inspection of which in respect of the given type of tax started but was suspended on the day of submission of the calculation report;

(3) the reporting period, since the last day of which three years have passed.

11. Tax calculation reports in respect of value added tax may not be submitted also in cases (in case of submitting a unified calculation report of VAT and excise tax, the calculation report in respect of VAT shall not be taken into account) when the tax calculation report relates to the following:

(1) the reporting period that has already been inspected by the tax authority with a view to examining the substantiation of the amounts to be credited to the unified account;

(2) the reporting period, the inspection of which, with a view to examining the substantiation of the amounts to be credited to the unified account, started but the examination was suspended on the day of submission of the calculation report.

#### **Article 54. Verification of the tax calculation report**

1. In case the taxpayer (in cases prescribed by the Code, the tax agent, trustee, reporting participant of a joint activity, commission agent, agent acting on behalf of

him or her in executing the transaction, in case of minor natural persons, also the parent or guardian or curator) detects errors in tax calculation reports submitted to the tax authority, verified tax calculation reports based on the results of their verification may be submitted as prescribed by this Article, except for the cases prescribed by part 5 of Article 278 of the Code.

2. For the purposes of the Code, the first of more than one tax calculation reports submitted after the end of the reporting period shall be considered to be a tax calculation report submitted for the reporting period, and the rest — verified tax calculation reports. The first of tax declarations of imports or tax declarations of export submitted with respect to the given operation of export or import shall be considered to be a declaration submitted for the given operation, and the rest — verified declarations.

3. In case of liquidation of the organisation (for separated subdivisions and establishments of the organisation, removal from the state record-registration), the individual entrepreneur is removed from state record-registration or the notary is dismissed from the position:

(1) tax calculation reports submitted to the tax authority before the end of the reporting periods shall be considered to be tax calculation reports submitted for the reporting periods, where by the end of the reporting periods following the submission thereof the organisation or the individual entrepreneur or the notary does not carry out any transaction or operation;

(2) in case the organisation or the individual entrepreneur or the notary carries out any transaction or operation by the end of the reporting period following the submission of tax calculation reports prescribed by point 1 of this part, after the end of the reporting periods the new tax calculation reports submitted for these reporting periods shall be considered to be verified tax calculation reports.

4. Where the submission of a verified tax calculation report gives rise to tax liability or increases the previous tax liability, the taxpayer shall be exempt from the imposition of the fine prescribed by the Code for understatement of the taxable object.

5. Limitations on submission of tax calculation reports prescribed by parts 10-11 of Article 53 of the Code shall also extend to the cases of submitting verified tax calculation reports.

## **CHAPTER 10**

### ***SETTLEMENT DOCUMENTS***

#### **Article 55. Settlement documents and drawing up thereof**

1. Settlement document shall be a document complying with the requirements prescribed by this Code and issued by the taxpayer which substantiates the following:

(1) acquisition of the right to receive income from the supply of goods, performance of work and/or provision of service. For the purposes of this point, the right to receive income in the cases prescribed by the Code shall be considered to be acquired irrespective of the fact of issuance of the settlement document;

(2) recognition of expenses for the purchase of goods, the receipt of work and/or service;

(3) supply of goods to a foreign citizen or stateless person;

(4) transportation of goods.

2. For the purpose of documenting the transactions and operations prescribed by part 1 of this Article, the following settlement documents shall apply:

(1) tax invoice;

- (2) adjusting tax invoice;
- (3) tax bill;
- (4) adjusting tax bill;
- (5) cash register receipts;
- (6) tax invoice of VAT refund;
- (7) consignment note for the transportation of the goods (hereinafter referred to as the “consignment note”).

3. In part 2 of this Article:

- (1) settlement documents prescribed by points 1-4 shall be applied for documenting the acquisition of the right to receive income from the supply of goods, performance of work and/or provision of service, recognition of expenses for the acquisition of goods, receipt of work and/or service, and in cases prescribed by the Code, also the reduction in the tax amount;
- (2) settlement documents prescribed by point 5 shall be applied for documenting the acquisition of the right receive income from the supply of goods, performance of work and/or provision of service, as well as the transportation of the goods acquired;
- (3) settlement documents prescribed by point 6 shall be applied for documenting the acquisition of the right to VAT refund;
- (4) settlement documents prescribed by point 7 shall be applied for documenting the transportation of goods.

4. The tax invoice or adjusting tax invoice shall mandatorily include the following:

- (1) series and number of the settlement document;
- (2) issue date of the settlement document;



- (3) date of supply of goods, date of completing the performance of work (including in accordance with the stages provided for by the contract) and/or date of completing the provision of service (in accordance with the stages provided for by the contract);
- (4) rate and amount of the value added tax, in a separate column or line;
- (5) amount of excise tax, in a separate column or line (in case of supply of goods subject to taxation by excise tax);
- (6) amount of nature protection tax, in a separate column or line (only in case of issuing settlement documents by dealers-importers and dealers-producers of goods causing damage to the environment);
- (7) nomenclature and quantity of goods and/or types and volume of the work and service being the subject of a transaction;
- (8) price, total value of the unit of goods being the subject of a transaction, trade discount, where available (including public trade discount) and/or tariff and total cost of work, service;
- (9) for those supplying goods, performing work and/or providing service:
  - a. taxpayer identification number, and in case of value added taxpayers, also taxpayer identification number of the VAT payer;
  - b. full name of the organisation, addresses of location and place of business, and in case of supplying goods, address of the place of delivery or data of the point of delivery, position, name, surname and signature of the official;
  - c. name, surname, address of the place of residence of the natural person, series and/or number of the passport (or other identification documents), and in case of individual entrepreneur, also address of the place of business, indication of “individual entrepreneur” or “IE”;
- (10) for those acquiring goods, accepting work and/or receiving service:

- a. taxpayer identification number, and in case of value added taxpayer, also taxpayer identification number of the VAT payer;
- b. full name of the organisation, addresses of location and place of business, and in case of supplying goods, address of the place of destination of goods, position, name, surname and signature of the official;
- c. name, surname, address of the place of residence of the natural person, series and/or number of the passport (or other identification documents), and in case of an individual entrepreneur, also address of the place of business, indication of “individual entrepreneur” or “IE”.

5. The tax invoice and the adjusting tax invoice shall mandatorily include the data subject to mandatory inclusion in the tax invoice or adjusting tax invoice referred to in part 4 of this Article, except for the data prescribed by point 4 of part 4 of this Article.

6. The scope of data mandatorily included in the tax invoice of VAT refund shall be prescribed by the Government of the Republic of Armenia.

7. The consignment note shall mandatorily include the data subject to mandatory inclusion in the tax invoice or the adjusting tax invoice referred to in points 1 and 2 of part 4 of this Article, and in lieu of the data prescribed by points 3, 7 and 9 of part 4 of this Article, the following shall be included respectively:

- (1) date of transportation of goods;
- (2) nomenclature and quantity of the goods transported;
- (3) for those transporting goods:

- a. taxpayer identification number, and in case of value added taxpayer, also taxpayer identification number of VAT payer;
- b. full name, addresses of location of the organisation, address of the place of delivery or date of the point of delivery, address of the place of destination of goods transported, position, name, surname and signature of the official;

c. name, surname, address of the place of residence of the individual entrepreneur, series and/or number of the passport (or other identification documents), address of the place of business, indication of “individual entrepreneur” or “IE”.

8. Settlement documents referred to in part 2 of this Article may — except for the data referred to in parts 4-7 of this Article — also include other data at the discretion of the taxpayers issuing and/or receiving these settlement documents.

9. In cases prescribed by part 7 of Article 56 of the Code the tax invoice, and in cases prescribed by the Code, also the adjusting tax invoice issued by the resident organisation of the Republic of Armenia, resident natural person and permanent establishment of the Republic of Armenia shall indicate — as the identification number of the taxpayer supplying goods, performing work and/or providing service and taxpayer identification number of a VAT payer — the taxpayer identification number of the resident organisation of the Republic of Armenia, resident natural person or permanent establishment of the Republic of Armenia and the taxpayer identification number of the VAT payer.

10. Where the goods are acquired, the work is accepted and/or the service is received by a non-resident organisation having no permanent establishment in the Republic of Armenia or a non-resident natural person having no permanent establishment in the Republic of Armenia, in case of absence of certain data referred to in parts 4-7 of this Article in the settlement documents issued with respect to these transactions and referred to in points 3 and 4 of part 2 of this Article the settlement documents shall be considered to be complying with the requirements prescribed by this Article where:

(1) there is a written contract concluded between the parties executing a transaction as prescribed by the legislation of the Republic of Armenia wherein all the data the settlement document lacks are specified and the settlement document makes reference to that contract; or

(2) the transaction is executed on the basis of the written power of attorney issued by the party executing the transaction wherein all the data the settlement document lacks are specified.

11. Transactions executed within the framework of the electronic commerce and prescribed by points and 1 and 2 of this Article may be documented on the basis of the documents issued by payment and settlement organisations or the document printed by the payment instruments (equipment) applied by these organisations.

12. Expenses for transactions and operations not prescribed by point 2 of part 1 of this Article (including calculating the salary of the employees, paying state and local taxes, duties, fees and other fees not prescribed by the Code), as well as for services provided by organisations of the payment and settlement system may be documented on the basis of documents not considered settlement documents.

#### **Article 56. Issuance, declaration as invalid, cancellation of a settlement document**

1. The organisation, individual entrepreneur and notary shall — with respect to the supply of goods, performance of work and/or provision of service — be obliged to issue relevant settlement documents prescribed by the Code.

2. The person supplying goods, performing work and/or providing service and utilising cash register as prescribed by Chapter 74 of the Code with respect to transactions involving retail trade, performance of works for the population and/or provision of services to the population need not issue a tax invoice or tax bill, where the persons purchasing the goods, accepting the work and/or receiving the service do not require issuance of a tax invoice or a tax bill.

3. Settlement documents shall be issued in electronic form, except for:

(1) cash register receipt, as well as the settlement documents containing information considered secret and/or subject to limited use;

(2) cases prescribed by the Government of the Republic of Armenia when the settlement documents may be issued as prescribed by the Government of the Republic of Armenia.

4. Settlement documents shall be issued upon supplying goods, completing the performance of work (including in accordance with the stages provided for by the contract) and/or completing the provision of services (including in accordance with the stages provided for by the contract), except for the cases prescribed by part 8 of this Article, and the consignment note shall be issued before the transportation of goods.

5. Within the framework of the joint activity carried out as prescribed by Chapter 5 of the Code:

(1) settlement documents serving as a basis for the calculation of taxes on executed transactions shall be issued by the reporting participant of a joint activity or shall be received in the name of the reporting participant of a joint activity;

(2) one copy of the settlement document for acquiring assets and services relating to the investments made by reporting participants of a joint activity in the joint activity along with one copy of acceptance delivery acts reflecting the quantity of relevant assets and volumes of services shall be communicated to the reporting participant of a joint activity. The participants communicating them shall also be obliged to also keep with them one copy of each document referred to in this point in accordance with the procedure and within the time limits prescribed by the Code.

6. Organisations and individual entrepreneurs considered to be delegatee or agent supplying goods or performing work or providing service under the contracts of delegation or agency envisaging a condition of acting on behalf of the principal may — on behalf of the delegator or the principal respectively — issue tax invoices, adjusting tax invoices, tax invoices of VAT refund (except for the cases when the delegatee or the agent — pursuant to Section 4 of the Code — is not considered a VAT payer), as well as invoice or adjustment invoice, where a power of attorney to issue such

settlement documents has been issued to the delegatee or the agent. In cases prescribed by the Code, the settlement documents issued by the delegatee or the agent shall, in addition to the data thereof, be also completed with the information referred to in part 4 of Article 55 of the Code pertaining to the delegatee or principal.

7. In case the responsibility for calculation and payment of the value added tax on the transaction of supplying goods, performing work or providing service executed in the Republic of Armenia by a non-resident organisation with no permanent establishment in the Republic of Armenia or non-resident natural person with no permanent establishment in the Republic of Armenia is, pursuant to Section 4 of the Code, borne by an organisation, individual entrepreneur, notary or permanent establishment resident in the Republic of Armenia, the tax invoice for such transaction, and in cases prescribed by the Code, also the adjusting tax invoice shall be issued by the organisation, individual entrepreneur, notary or permanent establishment resident in the Republic of Armenia.

8. Based on the peculiarities of organisation of the activities:

(1) settlement documents (except for cash register receipts) may be issued in advance, provided that the goods specified in that settlement document are supplied on the day of supply of goods indicated in the settlement document;

(2) settlement documents with regard to transactions for providing public services or utility services may be issued after completing the provision of services for the calculation period;

(3) in cases prescribed by part 7 of this Article, where it is impossible to issue the tax invoice within the time limits prescribed by this Article, the tax invoice shall be issued on the day of actually receiving the settlement or payment document submitted by the supplier with regard to the value of goods, work or service.

9. Settlement documents issued as prescribed by parts 5-7 of this Article shall, for the purposes of the Code, amount to the settlement documents issued by the

organisation or natural person supplying goods, performing work and/or providing service.

10. The settlement documents relating to the instrument for supplying goods, performing work and/or providing service may — upon the initiative of the organisation, individual entrepreneur or notary supplying goods, performing work and/or providing service — be cancelled in the following cases:

- (1) the settlement document has been issued in the name of the taxpayer, to whom goods were not supplied, for whom work was not performed, and/or to whom service was not provided;
- (2) the tax invoice has been issued in violation of one of the restrictions prescribed by Article 67 of the Code;
- (3) in cases prescribed by point 2 of part 11 of Article 345 of this Code.

The cancelled settlement document shall not give rise, for the parties, to legal consequences prescribed by the Code, including rights and obligations.

11. The settlement document previously issued in respect of the transaction declared invalid shall be subject to being declared invalid.

12. The procedure for issuing, declaring invalid and cancelling the settlement document shall be prescribed by the Government of the Republic of Armenia.

**Article 57.           Mandatory requirements for documenting the transactions of supply or transportation of goods**

1. Supply or transportation of goods considered to be movable, tangible property (except for the goods with pipelines and power lines and the foreign currency) and supplied or transported within the territory of the Republic of Armenia shall mandatorily be carried out with the accompanying documents.

2. Goods transported by the taxpayer shall be accompanied by the consignment note certifying the transportation of goods and issued in accordance with the defined procedure, in cases prescribed by the Code, be accompanied by the adjusting tax invoice or the adjustment invoice, in case of transportation of goods acquired with cash settlements by the acquiring taxpayer in cases prescribed the Code, be accompanied by the cash register receipts, and the transportation of goods imported into the territory of the Republic of Armenia and transported:

- a. in case of import into states not considered EAEU members, by the customs declaration of import of goods;
- b. in case of import by land transport from EAEU member states, be accompanied by the transit declaration, and in case of import by air transport — by the settlement document of airway.

3. For the purposes of this Article, the following shall be considered goods supplied or transported without the accompanying document:

- (1) goods or a part thereof (surplus in quantity as compared to the accompanying documents) actually being supplied or transported without the relevant accompanying document prescribed by the Code;
- (2) goods actually being supplied or transported with the accompanying document of delivery or transportation failing to meet the requirements of the Code;
- (3) actually supplied goods (including transported by the person acquiring them) accompanied by the accompanying documents prescribed for the transportation of goods.

4. For the purposes of this Article, the goods supplied or transported or a part thereof (the surplus in quantity as compared to the accompanying document) shall be considered to be without an accompanying document also when they are actually supplied or transported with the accompanying documents issued in the manner prescribed for goods already supplied or transported.



5. For the purposes of this Article, the requirements of the Code for the accompanying settlement documents shall be considered not met where these settlement documents lack the following requisites:

- (1) series and number of the accompanying document;
- (2) date of issue of the accompanying document;
- (3) date of supply or transportation of goods;
- (4) data of the taxpayer supplying or transporting the goods (except for the case of transportation by the acquiring person), required under Article 55 of the Code;
- (5) address of the place of delivery or data of the point of delivery (make and state licence plate of the vehicle) wherefrom the goods are supplied or transported;
- (6) the address of the place of destination of the supplied or transported goods except for the cases when the goods are handed over to the purchaser at the place of delivery;
- (7) nomenclature and quantity of goods being the subject of transaction and supplied (transported, in case of transportation by the person acquiring the goods), overall value of goods, in total;
- (8) nomenclature and quantity of goods transported;
- (9) data of the purchaser (receiver) of the goods being supplied or transported, prescribed by Article 55 of the Code, for natural persons, name and surname.

6. For the purposes of part 5 of this Article:

- (1) in case of places of delivery or places of destination having no address (being a geographical object outside settlements), name of the administrative and territorial unit shall be indicated as the address of the place of destination, in the territory of which the indicated place and famous name of the given place are, and in case of absence of a name, the requisites more typical for the given place;

(2) requirements for the accompanying settlement document shall be considered to be met also in the cases when there are insignificant deficiencies (misprints, inaccuracies of non-legal nature and omissions), provided that the existing requisites, in essence, justify the compliance with the requirements of part 5 of this Article.

7. The provisions of this Article with respect to the goods being supplied or transported without an accompanying document shall not extend to the goods sold by the taxpayer with cash settlements in the cases prescribed by the Code when the application of cash registers is mandatory. The provisions of this Article with respect to the goods supplied or transported without an accompanying document shall extend to the goods transported by taxpayers acquiring the goods, irrespective of the fact that the application of cash registers is mandatory for the taxpayer selling the goods.

## **PART 2**

### **SPECIAL PART**

#### **SECTION 4**

#### **VALUE ADDED TAX**

#### **CHAPTER 11**

#### ***VALUE ADDED TAX AND TAXPAYERS***

##### **Article 58. Value added tax**

1. Value added tax shall be a state tax paid to the State Budget in the manner, amount and within the time limits prescribed by the Code for carrying out transactions and/or operations considered to be a taxable object prescribed by Article 60 of the Code.

## **Article 59. Value added tax payers**

1. Unless otherwise prescribed by parts 2 and 3 of this Article, the organisations, individual entrepreneurs and notaries record-registered as VAT payers with the relevant tax authority in conformity with point 1 of part 4 of this Article shall be considered VAT payers in the following cases and within the following time limits:

(1) starting from 1 January of the given tax year until the end of the given tax year, where the taxpayer — as of 1 January of the given year, pursuant to Section 13 of the Code — may not be considered a turnover taxpayer or failed to submit, within the time limits prescribed by Section 13 of the Code, to the tax authority a statement on being considered a turnover taxpayer as approved by the tax authority and being considered an entity of family entrepreneurship as approved by the tax authority;

(2) the organisation having been granted state registration (in cases prescribed by law, record-registered) during the tax year, or the natural person record-registered as individual entrepreneurs or appointed as a notary, starting from the day of state registration (in cases prescribed by law, record-registration) or the day of record-registration as an individual entrepreneur or appointment as a notary until the end of the year respectively, where the taxpayer may not, as of the day of state registration (in cases prescribed by law, record-registration) or the day of record-registration as an individual entrepreneur or appointment as a notary respectively, pursuant to Section 13 of the Code, be considered a turnover taxpayer or failed, within the time limits prescribed by Section 13 of the Code, to submit to the tax authority a statement on being considered a turnover taxpayer as approved by the tax authority and being considered an entity of family entrepreneurship as approved by the tax authority;

(3) the organisation or individual entrepreneur ceasing to be considered an entity of family entrepreneurship during the tax year, starting from the day of ceasing to be considered to be an entity of family entrepreneurship until the end of the tax year, where the taxpayer, as of the day of ceasing to be considered an entity of family

entrepreneurship, pursuant to Section 13 of the Code, may not be considered a turnover taxpayer or failed, within the time limits prescribed by Section 13 of the Code, to submit to the tax authority a statement on being considered a turnover taxpayer as approved by the tax authority. In cases prescribed by this point the taxpayer shall, starting from the day of ceasing to be considered an entity of family entrepreneurship, submit a statement on being considered a VAT payer and being record-registered as a VAT payer (hereinafter referred to as the statement) as approved by the tax authority stating the relevant ground and day of ceasing to be considered an entity of family entrepreneurship;

(4) starting from the day indicated in the statement (but not earlier than the 20<sup>th</sup> day preceding the day of submitting the declaration) until the end of the tax year indicated in the statement, where the taxpayer has submitted a statement to the tax authority making an indication of the fact of ceasing to be considered a VAT payer and being record-registered as a VAT payer. Where the taxpayer, pursuant to Section 13 of the Code, ceases to be considered a turnover taxpayer before the day indicated in the statement, the turnover taxpayer shall be considered a VAT payer as prescribed by point 5 of this part (the statement is not taken into consideration);

(5) starting from the point in the tax year until the end of the given tax year from which the taxpayer shall, pursuant to Section 13 of the Code, cease to be considered a turnover taxpayer in the given tax year. Moreover, in case of being considered a VAT payer on the ground of exceeding the threshold of the amount of AMD 58.35 million of sales turnover with respect to all types of activities in the tax year, the VAT shall be calculated and paid in the amount exceeding the VAT threshold. Starting from the day of emergence of one of the grounds for ceasing to be considered a turnover taxpayer until the 20<sup>th</sup> day inclusive following that day the taxpayer shall submit a statement to the tax authority indicating the relevant ground and day of ceasing to be considered a turnover taxpayer.

2. The non-commercial organisations, as well as the organisations and the individual entrepreneurs producing agricultural products only, which are record-registered with the tax authority as VAT payers in accordance with point 1 of part 4 of this Article, shall be considered VAT payers in the following cases and within the following time limits:

(1) starting from 1 January of the given year until the end of the given year, in case the sales turnover of the organisation or individual entrepreneur with respect to all types of activities in the previous tax year calculated as prescribed by part 2 of Article 254 of the Code has exceeded AMD 58.35 million;

(2) starting from the point in the tax year until the end of the given tax year from which the sales turnover of the organisation or individual entrepreneur with respect to all types of activities in the previous year calculated as prescribed by part 2 of Article 254 of the Code has exceeded AMD 58.35 million. Moreover, in case of being considered a VAT payer on the ground of exceeding the threshold of AMD 58.35 million of sales turnover with respect to all types of activities in the tax year, the VAT shall be calculated and paid in the amount exceeding the VAT threshold. Starting from the day of exceeding AMD 58.35 million of sales turnover with respect to all types of activities until the 20<sup>th</sup> day inclusive following that day the taxpayer referred to in this part shall submit to the tax authority a statement indicating the day of exceeding the VAT threshold;

(3) starting from the day indicated in the statement (but not earlier than the 20<sup>th</sup> day preceding the day of submitting the statement) until the end of the tax year indicated in the statement, in case where the organisation or individual entrepreneur submits a statement to the tax authority making an indication of the fact of being considered a VAT payer and being record-registered as a VAT payer. Where AMD 58.35 million of sales turnover, calculated as prescribed by part 2 of Article 254 of the Code, with respect to all types of activities of the taxpayer indicated in this part is exceeded before the day indicated in the statement, the taxpayer referred to in this part shall be

considered to be a VAT payer as prescribed by point 2 of this part (the statement shall not be taken into consideration).

Where the organisation or individual entrepreneur carries out other activities along with the production of agricultural products, they shall be considered to be VAT payers in the cases and within the time limits prescribed by part 1 of this Article.

3. Organisations record-registered with the tax authority as VAT payers in conformity with point 2 of part 4 of this Article shall be considered VAT payers starting from the day indicated in the statement (but not earlier than the 20<sup>th</sup> day preceding the day of submitting the statement) until the end of the tax year indicated in the statement.

4. The following shall be record-registered as VAT payers with the tax authority as prescribed by Section 14 of the Code:

(1) organisations (except for the organisations prescribed by point 2 of this part), individual entrepreneurs and notaries;

(2) in case of submitting a statement voluntarily:

a. the Republic of Armenia represented by state administration institutions;

b. the communities of the Republic of Armenia represented by community administration institutions;

c. the Central Bank of the Republic of Armenia.

5. Organisations, individual entrepreneurs and notaries not record-registered with the tax authority as VAT payers shall not be considered VAT payers but in case of carrying out transactions and/or operations prescribed by Article 60 of the Code and considered a taxable object, as well as in the case prescribed by part 2 of Article 70 of the Code they shall, in the manner, in the amount and within the time limits prescribed by the Code, be obliged to calculate and pay to the State Budget the VAT amounts arising from these transactions and/or operations.

6. Natural persons not acting as individual entrepreneurs and notaries shall not be considered VAT payers, but in case where they import goods into the territory of the Republic of Armenia (including from EAEU member states), the import of which, pursuant to the Law of the Republic of Armenia “On customs regulations”, is considered import for the purposes of entrepreneurial activities or where non-resident natural persons having no permanent establishment carry out transactions and/or operations considered VAT taxable object, they shall be obliged to calculate and pay to the State Budget VAT amounts arising from these transactions and/or operations in the manner, in the amount and within the time limits prescribed by the Code.

## **CHAPTER 12**

### ***OBJECTS, TAX BASE AND RATES OF TAXATION BY VALUE-ADDED TAX***

#### **Article 60. VAT taxable object**

1. The following transactions and operations shall be considered VAT taxable objects:

(1) the supply of goods where the place of supply of goods is, pursuant to Article 37 of the Code, considered the Republic of Armenia;

(2) performance of work and/or provision of service. For the purposes of this point, provision of service shall also mean:

a. providing goods for lease or use (except for the cases of financial lease (leasing) of the goods when the lease contract provides for the assignment of the right of ownership of the goods to the lessee);

b. providing a loan;

c. alienating intangible assets;

(3) import of goods into the Republic of Armenia under the customs procedure “Release for domestic consumption”;

(4) import of goods having the status of EUEA goods into the Republic of Armenia from the EUEA member states.

2. The transaction of supply of goods shall not be considered VAT taxable object where the place of supply of goods, pursuant to Article 37 of the Code, is not considered to be the Republic of Armenia.

#### **Article 61. Tax base for value added tax**

1. In case of transactions involving supply of goods, performance of work or provision of service, unless otherwise prescribed by Article 62 of the Code, the VAT tax base shall be considered to be the value thereof expressed in monetary terms, without VAT.

2. In case of import of goods into the Republic of Armenia under the customs procedure “Release for domestic consumption”, unless otherwise prescribed by Article 62 of the Code, the VAT tax base shall be considered to be the sum total of the customs value, customs duty determined as prescribed by the EAEU unified customs legislation, and pursuant to Section 5 of the Code, in case of import of excisable goods, also of the excise tax calculated as prescribed by the Code.

3. In case of import of goods having the status of the EUEA goods into the Republic of Armenia from the EUEA member states, unless otherwise prescribed by Article 62 of the Code, the VAT tax base shall be considered to be the value of acquisition of imported goods, and pursuant to Section 5 of the Code, in case of import of excisable goods, the total amount of the value of acquisition of imported goods and the excise tax calculated as prescribed by the Code.



4. In case of transaction of supply of goods having the status of the EAEU goods and exported from the territory of the Republic of Armenia under the customs procedure “Export”, as well as exported to the EAEU member states, the VAT tax base shall be considered to be the customs value calculated as prescribed by the Law of the Republic of Armenia “On customs regulation”.

**Article 62. Peculiarities of determining the tax base for the value added tax**

1. When determining the VAT tax base of the transaction of supply of goods, the following shall also be added to the tax base prescribed by part 1 of Article 61 of the Code:

(1) pursuant to Section 5 of the Code, in case of supply of excisable goods, the amount of the excise tax calculated as prescribed by the Code;

(2) pursuant to Section 8 of the Code, in case of supply of goods subject to taxation by nature protection tax, the amount of nature protection tax calculated as prescribed by the Code.

2. In case of supply of containerised goods, the cost of the container shall be included in the VAT tax base irrespective of the fact that the return of the container is envisaged under the contract for supply of goods.

3. In case of transactions for import and/or supply of tobacco products, the maximum retail price marked on the package of the cigarettes as prescribed by the Government without VAT shall be considered to be the VAT tax base.

4. In the manner prescribed by the EAEU unified customs legislation:

(1) in case of import of the product derived from the raw material exported from the territory of the Republic of Armenia under the customs procedure “Processing outside the customs territory” for the purpose of processing or exported to the EAEU

member states for the purpose of processing, the cost of works and/or services relating to the processing of the raw material shall be considered to be the VAT tax base, and in case of producing a new product as a result of processing of the raw material and subject to taxation by excise tax pursuant to Section 5 of the Code shall include also the amount of the excise tax calculated for that new product as prescribed by Section 5 of the Code;

(2) in case of import of the property exported from the Republic of Armenia under the customs procedure “Processing outside the customs territory” for the purpose of repairing (mending) or exported to the EAEU member states for the purpose of repairing (mending), the value of spare parts, parts, components, other fitting elements used for repairing (mending) that property shall be considered to be the VAT tax base.

In cases prescribed by this part, where there is a lack of documents (including contracts, settlement documents) drawn up between the parties to the transaction or these documents do not specify the cost of processing work and/or services of the raw material, spare parts, parts, components, other fitting elements used for repairing (mending) the property, the following shall be considered to be the VAT tax base:

a. in case of import of a product derived from the raw material exported from the territory of the Republic of Armenia under the customs procedure “Processing outside the customs territory” for the purpose of processing, the positive difference of the customs value of the imported product resulting from the processing and the customs value of exported raw material, and in case of producing a new product as a result of processing of the raw material subject to taxation by excise tax under Section 5 of the Code, the VAT tax base shall also include the amount of the excise tax calculated for that new product as prescribed by Section 5 of the Code;

b. in case of import of a product derived from the raw material exported to the EAEU member states for the purpose of processing, the positive difference of the book value

of the imported product resulting from the processing, and in case of producing a new product resulting from the processing of the raw material subject to taxation by excise tax under Section 5 of the Code, the VAT tax base shall also include the amount of excise tax calculated for that new product as prescribed by Section 5 of the Code;

c. in case of import of the property exported from the territory of the Republic of Armenia under the customs procedure “Processing outside the customs territory” for the purpose of repairing (mending) — the positive difference of the customs value of the repaired (mended) property being imported and the customs value of the exported property;

d. in case of import of the property exported to the EAEU member states for the purpose of repairing (mending), the positive difference of the book value of the repaired (mended) property being imported and the book value of the exported property.

5. In the manner prescribed by the EAEU unified customs legislation:

(1) in case of export of goods imported into the Republic of Armenia under the customs procedure “Processing within the customs territory” for the purpose of processing or export of goods derived from the raw material imported into the Republic of Armenia from the EAEU member states for the purpose of processing, the cost of works and/or services relating to the processing of the raw material shall be considered to be the VAT tax base, and in case of producing a new product as a result of the processing of the raw material and subject to taxation by excise tax under Section 5 of the Code, the VAT tax base shall also include the amount of the excise tax calculated for that new product as prescribed by Section 5 of the Code;

(2) in case of export of the property imported into the Republic of Armenia under the customs procedure “Processing within the customs territory” for the purpose of repairing (mending) or imported into the Republic of Armenia from the EAEU member states for the purpose of repairing (mending), the value of spare parts, parts,

components, other fitting elements used for repairing (mending) that property shall be considered to be the VAT tax base.

In cases prescribed by this part, where there is lack of documents (including contracts, settlement documents) drawn up between the parties to the transaction or these documents do not envisage the cost of works and/services relating to the processing of the raw material, of spare parts, parts, components, other fitting elements used for repairing (mending) the property:

- a. in case of export of the product derived from the raw material imported into the Republic of Armenia under the customs procedure “Processing within the customs territory” for the purpose of processing, the positive difference of the customs value of the exported product resulting from the processing and the customs value of imported raw material shall be deemed to be the VAT tax base;
- b. in case of export of the product derived from the raw material imported into the Republic of Armenia from the EAEU member states for the purpose of processing the VAT tax base shall be deemed to be 0;
- c. in case of export of the property imported into the Republic of Armenia under the customs procedure “Processing within the customs territory” for the purpose of repairing (mending), the positive difference of the customs value of the repaired (mended) property being exported and the customs value of the imported property shall be deemed to be the VAT tax base;
- d. in case of export of the property imported into the Republic of Armenia from the EAEU member states for the purpose of repairing (mending) the VAT tax base shall be deemed to be 0.

6. In case of transactions without compensation for supply of goods, performance of work or provision of service or with compensation at a significantly lower cost than the actual value, the VAT tax base shall be deemed to be 80 per cent of the actual value of

these transactions, except for the cases prescribed by part 7 of this Article. For the purposes of this part:

(1) it is considered that the transaction deemed to be the object of VAT taxation has been executed at a significantly lower cost than the actual value where the compensation value thereof (without VAT) is less by 20 per cent and more than the actual value (without VAT) of the transaction of supply of identical goods, and in case of absence thereof — of similar goods, performance of similar work or provision of similar service, except for the following:

- a. transactions executed through public biddings in cases prescribed by law;
- b. transactions of supply of goods or performance of work or provision of service, which are executed by the taxpayer at a lower cost equivalent to the amount of the trade discount specified in a written act adopted previously or another legal act adopted previously, and that trade discount shall, within the time limits prescribed by the acts referred to in this sub-point, be reflected in the settlement documents issued by the taxpayer;

(2) for the purpose of determining the actual value of the transaction in order of priority referred to in this point, the following shall be taken as a basis:

- a. VAT tax base, calculated as prescribed by the Code in case of supply of the identical goods, performance of identical work or provision of identical service by the given taxpayer in comparable circumstances, and in case it is unavailable, the value, which is taken as a basis for the VAT tax base in case of supply of identical goods, performance of identical work or provision of identical service within business circles in comparable circumstances, or
- b. VAT tax base, calculated as prescribed by the Code in case of supply of similar goods, performance of similar work or performance of similar service by the given taxpayer in comparable circumstances, and in case it is unavailable, the value, which is taken as a basis for the VAT tax base in cases of supply of similar goods, performance

of similar work or performance of similar service within business circles in comparable circumstances.

For the purposes of this point, the comparable circumstances of the transactions of supply of identical or similar goods, performance of identical or similar work or provision of identical or similar service shall be determined starting from the beginning of the tax year preceding the tax year covering the day of performance of the relevant transaction until the performance of the relevant transaction based on the transactions of supply of identical or similar goods, performance of identical or similar work or identical or similar service.

7. Based on decisions of the Government of the Republic of Armenia, in case of transactions without compensation for supply of goods, performance of work or provision of service by the VAT payer, the VAT tax base shall be considered AMD 0, and in case of transactions with compensation at a significantly lower cost than the actual value, the VAT tax base shall be considered to be the amount of compensation receivable, without VAT.

8. In case of alienation of buildings, constructions (including unfinished, half-finished), residential or other areas, land parcels, the VAT tax base shall be determined as prescribed by Article 61 of the Code and this Article, but not less than the amount of the immovable property tax base determined therefor as prescribed by Article 228 of the Code, except for the case prescribed by this part. The provisions of this paragraph shall not apply where the state or the community is considered a party to the transaction of alienation of the property unit prescribed by this paragraph (except for the cases when the transaction is executed through another organisation).

In case the owner of the property to be alienated (having been alienated) for public and state needs based on overriding public interests is compensated with apartments or other premises in a constructed block of flats (including multifunctional) or in a subdivided building, and with residential houses in residential areas or complexes, the

value determined by part 1 of Article 11 of the Law of the Republic of Armenia “On the alienation of property for public and state needs” shall be considered to be the VAT tax base.

9. In case of transactions of providing buildings, constructions (including unfinished, half-finished), residential or other areas, land parcels under the right to lease or gratuitous use, the VAT tax base shall be determined in the amount prescribed by Article 31 of the Code and this Article, but not less than 2.5 percent of the immovable property tax base determined therefor as prescribed by Article 228 of the Code, and where it is unavailable, of the tax base corresponding to the share of the area provided for lease or gratuitous use in the total area of the given object of VAT taxation calculated annually. The amount shall be equally allocated according to the entire VAT reporting periods.

In case of providing the property prescribed by this point under the right to lease or gratuitous use and /or terminating the right over that property to lease or gratuitous use during the VAT reporting period, the VAT tax base for abovementioned transactions during the reporting period shall be determined as the product of the tax base prescribed by the first paragraph of this point and the share of the days of providing, during the reporting period, the property under the right to lease or gratuitous use within the days included in the reporting period.

Provisions of this part shall not apply, where the state or the community is considered a party to the transaction, prescribed by this part, of alienating or giving the property units for lease or gratuitous use (except for cases when the transaction is executed through another organisation).

10. In case of providing services by the delegatee based on the delegation contract, the VAT tax base for the delegatee shall be considered the amount payable to the delegatee (the amount of remuneration and the amount being paid as a compensation for the expenses incurred by delegatee on his own behalf) without VAT, the VAT tax

base for the delegator shall be considered the total cost of supply of goods or performance of work or provision of service by the delegatee on the basis of the delegation contract, without VAT.

11. In case of supply of goods or performance of work or provision of service by a commission agent based on the commission contract (except for the case prescribed by this part), the VAT tax base for the commission agent shall be considered the total value (without VAT) of the goods supplied or work performed or service provided by him or her, and the VAT tax base for the commission principal shall be considered the difference of the value (without VAT) of the goods supplied or work performed or service provided by commission agent based on the commission contract and the amount (without VAT) payable to the commission agent. The VAT tax base for the commission agent shall be determined by the total value of the goods supplied or work performed or service provided by him or her also in cases when the goods acquired or the result of the work accepted or service received by the him or her from another person based on the commission contract is transferred to the commission principal.

Where the transaction of supply of goods or performance of work or provision of service based on the commission contract is not, pursuant to the Code, subject to VAT taxation, the VAT tax base for the commission agent shall be considered the amount payable thereto (the amount of remuneration and the amount paid as compensation for expenses incurred by the commission agent on his or her behalf) without VAT.

12. In case of supply of goods or performance of work or provision of service by the agent based on the agency contract:

(1) where the agent acts on behalf of the principal or at the expense of the principal, the VAT tax base for the agent and the principal shall be determined by the rules of determination of the VAT tax base for the delegator and delegatee respectively prescribed by part 10 of this Article;



(2) where the agent acts on behalf thereof or at the expense of the principal, the VAT tax base for the agent and the principal shall be determined by the rules of determination of the VAT tax base for the commission agent and commission principal respectively prescribed by part 11 of this Article.

13. In case the products are produced from the raw material and materials provided by the customer or are bottled or otherwise containerised when the right of ownership to the raw materials, materials and products produced, bottled or otherwise containerised belongs to the client, the VAT tax base for the producer, person carrying out the bottling or otherwise containerisation shall be considered the cost of production, bottling or otherwise containerisation of products of those raw materials or materials, without VAT.

14. In case of supply of goods through auction, the VAT tax base for the auctioneer shall be considered the amount of commission (bonus, interest, etc.) given to the auctioneer by the owner of the supplied goods and/or another person, without VAT.

15. The VAT tax base for tourism activities shall be determined as prescribed by Article 61 of the Code and this Article excluding the amount paid by the tour operator or travel agent for the transportation of passengers.

16. The VAT tax base for transactions of supply of goods, performance of work or provision of service according to the tariffs set by the state or the authorised body shall be considered the total amount of the relevant tariff (without VAT) and the subsidies provided from the State Budget with respect to the application thereof (without VAT).

17. Where the amount subject to compensation for the supply of goods with respect to the transactions of supply of types of goods prescribed by the Government of the Republic of Armenia is, pursuant to the contract concluded, subject to verification based on the adjustment data (final quantity and quality characteristics of goods) after receiving the goods or completing the processing thereof, in case of supply of goods

the VAT tax base shall be determined based on the settlement price per unit of goods determined in accordance with the data published by the foreign stock market or journal and on verified data envisaged by the contract for supply of the given goods (irrespective of the amount of compensation subject to payment as a result of final settlement). For the purposes of this part:

(1) data verified for the purpose of determining the tax base, the maximum limits on verification thereof, as well as the procedure (including the frequency of determination of the settlement price) for determination of the settlement price per unit of goods shall be established by the Government of the Republic of Armenia;

(2) in case of transaction of supply of goods, the increase or decrease in the amount (without VAT) subject to compensation for the supply of goods shall be included in the unified calculation report submitted to the tax authority for the reporting period covering the day the final amount subject to compensation for the supply of goods becomes known, as an increase or decrease in the VAT tax base.

18. The VAT tax base for the trustee with regard to the transaction executed as a result of the trust management of property and serving as VAT taxable object shall be deemed to be the total cost of the tax base determined for the transactions executed thereby and the trustor as prescribed by the Code.

19. The VAT tax base for the following financial transactions shall be determined as follows:

(1) VAT tax base for a transaction of buying and selling foreign currency shall be considered the positive difference of the cost of sale and acquisition of foreign currency;

(2) VAT tax base for accepting demand, term, savings and other similar deposits, opening, maintaining and carrying out the maintenance of bank and other accounts, as well as payment and settlement services shall be considered the fee charged for the provision of these services, without VAT;

- (3) VAT tax base for services of providing loans (borrowings) shall be considered the yield in monetary terms;
- (4) VAT tax base for factoring services shall be considered the difference of the monetary claim conceded to the service provider and monetary funds transferred to the service user;
- (5) VAT tax base for services of issuing suretyship, bank guarantees, letters of credit shall be considered the fee charged for the provision of these services, without VAT;
- (6) the VAT tax base for transactions of issuing and/or alienating securities, including promissory notes, cheques, bills of exchange, other payment securities, settlement documents shall be considered the price of alienation of the securities, without VAT;
- (7) VAT tax base for services of custody and record-keeping of the securities shall be considered the fee charged for the provision of these services, without VAT;
- (8) VAT tax base for transactions of discounting, transferring, conceding promissory notes, cheques, bills of exchange, other payment securities, payment documents or maintenance services shall be considered the discount without VAT or the fee charged for the provision of maintenance service, without VAT;
- (9) VAT tax base for transactions of issuing, discounting, transferring, conceding payment cards and other instruments or maintenance services shall be considered the fee for providing payment cards and other instruments, without VAT or the fee charged for maintenance services, without VAT;
- (10) VAT tax base for the service of providing cash shall be considered the fee for cash-withdrawal charged for these services, without VAT;
- (11) VAT tax base for services of trust management of securities shall be considered the fee (remuneration) charged for trust management services provided by the trustor, without VAT;

(12) in case of alienation of bank gold, the VAT tax base shall be considered the value of the bank gold, without VAT;

(13) VAT tax base for services of opening and maintaining bank gold accounts, executing other transactions through them shall be considered the service fee, without VAT;

(14) in case of alienation of the collateral that has become the property of a bank or credit organisation as prescribed by law and belonged to the natural person not considered an individual entrepreneur prior to that, the VAT tax base shall be considered the value of alienation of the collateral, without VAT;

(15) VAT tax base for services of receiving money (revenue, utility and other fees), as well as providing salary, pension, benefit, making insurance and other fees shall be considered the fee charged for these services, without VAT;

(16) where the financial lease (leasing) contract provides that the right over the subject matter of the contract may be transferred to the lessee at the end of the validity period of the contract, the VAT tax base shall be determined as prescribed by Article 61 of the Code and this Article, and where the financial lease (leasing) contract does not provide that the right over the subject matter of the contract may be transferred to the lessee at the end of the validity period of the contract, the VAT tax base shall be considered the interest amount receivable from the financial lease.

### **Article 63. Value added tax rates**

1. VAT against the tax base of transactions and operations considered to be the object of VAT taxation as prescribed by Article 60 of the Code shall be calculated at the rate of 20%, except for the cases prescribed by part 2 of this Article.

2. The amount of VAT in the amount of compensation covering the amount of VAT for supply of goods, performance of work, provision of service shall be determined by the estimated value of 16.67 interest rate, where:

(1) an organisation, individual entrepreneur or notary has not, in violation of the requirements of the Code, considered himself/herself/itself to be a VAT payer;

(2) an organisation, individual entrepreneur or notary considered to be a VAT payer has not indicated the VAT rates and amount in a separate line in the settlement documents issued with respect to transactions considered objects of VAT taxation and subject to taxation at the rate of 20 per cent of VAT;

(3) an organisation, individual entrepreneur or notary considered to be a VAT payer has not issued settlement documents with respect to the transactions considered objects of VAT taxation and subject to taxation at the rate of 20 per cent of VAT.

3. The VAT for the tax base of transactions prescribed by Article 65 of the Code shall be calculated at the rate of 0 per cent.

## **CHAPTER 13**

### ***VALUE ADDED TAX BENEFITS AND ZERO-RATED TAXATION OF VALUE ADDED TAX***

#### **Article 64. Value added tax exempt transactions and operations**

1. Exempting from VAT shall mean not calculating the VAT for the tax base of transactions and operations considered objects of VAT taxation as prescribed by Article 60 of the Code.

2. The following transactions and operations prescribed by Article 60 of the Code shall be exempt from VAT:

(1) provision of services of instruction at educational institutions of general education, child and youth creative and aesthetic centres, educational institutions of music, drawing, art and fine art, sports schools, vocational schools, educational institutions of qualification and re-qualification, secondary vocational and higher educational institutions. The concepts referred to in this point shall be used within the meaning and in the sense of the same concepts used in the Laws of the Republic of Armenia “On education”, “On general education” and “On higher and postgraduate professional education”;

(2) alienation of exercise books and music books, drawing books, children’s and school literature, school educational publications, scientific and educational publications published by higher educational institutions, specialised scientific organisations, the National Academy of Sciences of the Republic of Armenia. The scope of application of the benefits prescribed by this point shall be defined by the Government of the Republic of Armenia;

(3) carrying out scientific and research activities in conformity with the criteria defined by the Government of the Republic of Armenia;

(4) carrying out activities within the framework of basic programmes of general education. The scope of application of the benefits prescribed by this point shall be defined by the Government of the Republic of Armenia;

(5) granting the right to participate in academic contests, tournaments, competitions of educational nature complying with standards recognised, guaranteed by the authorised body of the Republic of Armenia in the field of education and science and defined by the Government of the Republic of Armenia;

(6) provision of services relating to the keeping of children in preschool institutions, care for persons in boarding schools, orphanages, institutions for taking care of children with special needs or persons with disabilities, nursing homes, as well alienation of goods made by the persons under care, performance of works, provision

of services. The scope of application of the benefits prescribed by this point shall be defined by the Government of the Republic of Armenia;

(7) gratuitous supply of goods, gratuitous performance of works and/or gratuitous provision of services by non-governmental, charity, and religious organisations;

(8) performance of works at undertakings, cemeteries, and ceremony-related works carried out in relation to death and funeral, provision of services and alienation of related attributes;

(9) provision of services related to the organisation of religious ceremonies, alienation of religious attributes to religious organisations, as well as alienation of these attributes by religious organisations;

(10) import of goods, supply of goods, performance of works and provision of services by foreign countries, international intergovernmental (interstate) organisations, international, foreign non-governmental, charity, religious organisations, and similar organisations of the Republic of Armenia, by individual benefactors within the framework of humanitarian aid and charity programmes (activity), as well as supply of goods, performance of works and provision of services directly related to and of crucial importance to the implementation of such programmes. The classification of the programme (activity) as humanitarian aid and charity, as well as the framework of VAT exempt goods, works and services shall, pursuant to this point, be established by the Government of the Republic of Armenia, unless explicitly specified by the legislation of the Republic of Armenia (including international treaties of the Republic of Armenia);

(11) provision of medical aid and healthcare services, in particular, services related to the prevention of diseases, diagnosis, medical consultation, expert examination for treatment, rehabilitation purposes, medical expert examination;

(12) alienation of donated blood and the components thereof, breast milk, prosthetic and orthopaedic appliances, medical devices and medical supplies, alienation of goods

made by the patients within the framework of medical aid and healthcare services in the medical facilities. The scope of application of the benefits prescribed by this point shall be defined by the Government of the Republic of Armenia;

(13) property investment in the authorised or share capital by the state or the community;

(14) supply of goods to the state in the form of confiscation or donation. This point shall not extend to the transactions of supply of goods in the form of confiscation, in which case the transaction of supply of goods is subject to VAT taxation as prescribed by the Code;

(15) in case of voluntarily abandoning the land parcel, the alienation of the land parcel owned under the right of ownership to the community or the state;

(16) exchange of the land parcel or other immovable property where the party to that transaction is the state and/or the community;

(17) supply of goods, performance of works and/or provision of service within the framework of subsidy, subvention and grant programmes where the professional commission set up by the Government of the Republic of Armenia drew up a positive conclusion with regard to these programmes. The procedure of activities and the composition of the professional commission referred to in this point, as well as the procedures for qualifying, as preferred, changing and suspending the subsidy, subvention and grant programmes by the commission shall be prescribed by the Government of the Republic of Armenia;

(18) supply of goods by the state administration bodies for which payment of state duty is prescribed by law;

(19) alienation of infrastructure assets owned by the concessioner (operator), outcome of improvement made in certain elements thereof or purchased or built or replaced infrastructure assets (tangible or intangible), certain elements within the



composition thereof by the concessioner (operator) within the framework of conditions of transactions qualified by the authorised body of the Government of the Republic of Armenia as concession contract in accordance with the criteria defined by the Government of the Republic of Armenia during and at the end of the validity period of the concession contract, as well as provision of concession services to the grantor. For the purposes of this point:

a. concedent (grantor) shall mean a state or community body, which provides infrastructures of public services to the concessionaire (operator) for a certain period of time for the purpose of exploitation and/or service thereof;

b. concessionaire (operator) shall mean a resident organisation, which is provided with infrastructures of public services by the concedent (grantor) for the purpose of providing public service and/or improving it, and which exploits and/or carries out the maintenance of these infrastructures within the period of time prescribed;

(20) alienation of equipment and parts classified under CN FEA codes 8432, 8433, 8434, 8436, 8701, fertilizers classified under the code of commodity group 31, pesticides classified under the codes of commodity groups 3808 91, 3808 92, 3808 93, 3808 94, 3808 99, commodities classified under the codes 0106 41 000, 0106 90 00 90, 5305 00 000 0, 9406 00 310 0, as well as seeds and sprouts of crops and perennial seedlings;

(21) alienation by the direct manufacturer of hand-knotted carpets classified under CN FEA codes 570110, 570210 manufactured in the Republic of Armenia;

(22) alienation of irrigation water by water consumers companies;

(23) provision of services to an organiser of free economic zone and to an operator of the free economic zone, supply of goods within the territory of free economic zone;

(24) alienation of newspapers and magazines;

(25) alienation of precious and semi-precious stones specified in the list defined by the Government of the Republic of Armenia;

(26) alienation of precious metals and half-finished products for use in jewellery made of precious metals and classified under CN FEA codes 7106, 7108, 7109, 7110, 7113, 7115;

(27) alienation of tobacco products by taxpayers not acting as a manufacturer of tobacco products and not acting as an importer of tobacco products;

(28) alienation of containers by the taxpayers not acting as container manufacturers and container importers;

(29) organisation of the operation of casinos;

(30) organisation of games of chance (including online games of chance);

(31) gratuitous provision of maintenance services with regard to the given goods by the supplier of goods within the warranty period prescribed the public contract for supply of goods, gratuitous supply of goods for the purpose of replacing the goods failing to comply with the quality determined within the framework of these services, elements complementing them, supply of goods and provision of services, the value of which is included in the value of goods supplied in accordance with the public contract. This may be applied where the conditions of the concluded contract comply with the requirements for public contracts prescribed by Article 442 of the Civil Code of the Republic of Armenia. Where the public contract or supply of goods envisages supply of other goods and/or provision of other services, the fact of including the value of other goods and/or services in the value of goods supplied under the public contract must be substantiated by the initial record-keeping documents applied in the accounting and documents approved by the VAT payer (order, calculation report of the approved cost, etc.);

- (32) alienation of the right of ownership over a share or unit in the authorised or share capital of the organisation;
- (33) supply of goods and/or provision of service within the framework of reorganisation of the organisation carried out as prescribed by law;
- (34) supply of goods within the framework of transactions of privatisation and denationalisation;
- (35) import of cultural values into the territory of the Republic of Armenia;
- (36) supply of goods exported from the territory of the Republic of Armenia under the customs procedure “Re-export” (except for the cases of application of the customs procedure “Re-export” to the goods imported under the customs procedure “Processing within the customs territory”), as well as supply of goods exported from the territory of the Republic of Armenia under the customs procedures other than the customs procedure “Export”;
- (37) import of goods into the territory of the Republic of Armenia from the states not considered to be EAEU members by the taxpayer having the status of an economic operator authorised as prescribed by the legislation or a group of resident income taxpayers implementing a programme approved by the Government of the Republic of Armenia, where these goods and products generated from the processing thereof are — within 180 days following the day of import — exported (including to the EAEU member states):
- (38) supply of ferrous and non-ferrous scrap metals exported from the territory of the Republic of Armenia into the EAEU member states under the customs procedure “Export”;
- (39) transactions of alienation of their personal property by the individual entrepreneur or notary;

(40) alienation of the property included in the composition of succession and belonging to the individual entrepreneur or notary to the heir;

(41) import by natural persons, arriving in the Republic of Armenia, of items for personal use prescribed by the Law of the Republic of Armenia “On customs regulation”;

(42) import by natural persons, arriving in the Republic of Armenia for permanent residence, of items for personal use prescribed by the Law of the Republic of Armenia “On customs regulation”;

(43) import by diplomats serving in diplomatic missions of the Republic of Armenia functioning in foreign states, and military, commercial and other diplomatic service attaches of the Republic of Armenia, citizens appointed to spiritual service by Mother See of Holy Etchmiadzin in dioceses of the Armenian Apostolic Church established in other countries of items for their personal use prescribed by the Law of the Republic of Armenia “On customs regulation”, after completing the service;

(44) provision of services by insurance and reinsurance services, including related services by insurance brokers and agents;

(45) provision of pension security services, including related services provided by brokers and agents;

(46) alienation of assets to the securitisation fund or the seller by the originator within the meaning of the Law of the Republic of Armenia “On asset securitisation and asset-backed securities”, alienation of assets to the securitisation fund by the seller, repurchase of assets from the securitisation fund by the originator in cases prescribed by the Law of the Republic of Armenia “On asset securitisation and asset-backed securities” or exchange of assets with the securitisation fund, as well as alienation of assets to the securitisation fund established in accordance with the Law of the Republic of Armenia “On investment funds”, repurchase of assets from the

securitisation fund or exchange of assets with the securitisation fund by the person having alienated the assets to the securitisation fund;

(47) performance of the following financial transactions and operations by banks, professional securities market participants, payment and settlement organisations, credit organisations, as well as in cases prescribed by this point, by other persons:

- a. provision of services related to accepting demand, term, savings and other similar deposits, opening, maintaining and carrying out the maintenance of bank and other accounts, including provision of payment and settlement services;
- b. provision of services related to provision of loans or borrowings by banks, credit organisations and other taxpayers, including financing of debts or commercial transactions and other factoring services;
- c. provision of services related to the of providing of suretyship, bank guarantees, issuing of letters of credit;
- d. provision of services related to the alienation, custody and record-keeping of securities by banks, credit organisations and other taxpayers;
- e. provision of services related to the issuing, discounting, transferring, conceding or servicing of promissory notes, cheques, bills of exchange, other payment securities, payment documents, cards and other instruments, as well as alienation of promissory notes, cheques, bills of exchange, other payment securities, payment documents;
- f. alienation and exchange of foreign currency (paper money and coins, except for coins and bank-notes of numismatic value and used for that purpose) in Armenian Dram by banks, credit organisations and other taxpayers, alienation, transfer, exchange and otherwise alienation of derivative financial instruments concluded by banks, credit organisations and other taxpayers and making of all fees provided for by these transactions, except for the fees made for the actual supply of the property, the alienation of which is, pursuant to the Code, subject to VAT taxation;

- g. provision of cash withdrawal services;
- h. provision of services of investment fund management, including placement and/or repurchase (repayment) of securities issued by the investment fund managed thereby (including as a result of delegation);
- i. provision of services of investment fund custody;
- j. provision of services of securities trust management;
- k. alienation of bank gold, opening and maintaining of bank gold accounts, provision of services related to the performance of other transactions thereby, as well as alienation of bank bullions to banks and credit organisations;
- l. alienation of a collateral that became the property of a bank and credit organisation as prescribed by law and belonged to natural persons not acting as an individual entrepreneur and notary. For the purposes of this sub-point, the collateral shall be considered to be belonging to the natural persons not acting as individual entrepreneurs and notaries before becoming the property of a bank or credit organisation where the certificate of title over the collateral states that it belongs to the given individual entrepreneur or notary;
- m. provision of services of receipt of amounts (revenues, compulsory, utility and other fees), as well as services related to salaries, pensions, benefits, insurance and other fees;
- n. alienation through financial lease (leasing) of goods imported by banks and credit organisations within the framework of lease contract, during the import of which the VAT has not been calculated and paid as prescribed by the legislation;
- o. provision of financial lease (leasing) service by banks and credit organisations where the financial lease (leasing) contract does not envisage that the right of ownership to the object of leasing may be transferred to the lessee at the end of the validity period of the contract.

Drawing up and provision of account statements and other information related to services prescribed by this point, preparation of securities, cheques, bills of exchange, payment documents, cards, paper money, coins, bank gold and facsimile services shall not be exempt from VAT.

**Article 65. Transactions taxable at zero rate of VAT**

1. Taxation at zero rate of VAT shall be the calculation of VAT at zero percent rate with respect to the tax base of transactions deemed to be VAT taxable objects prescribed by Article 60 of the Code.

2. The following transactions, prescribed by Article 60 of the Code, shall be taxable at zero percent rate of VAT:

(1) supply of goods (except for ferrous and non-ferrous scrap metals) exported from the territory of the Republic of Armenia through customs procedure “Export”;

(2) supply of goods (except for ferrous and non-ferrous scrap metals), having the status of EAEU product, exported from the territory of the Republic of Armenia into EAEU member state in case of submitting the document prescribed by part 1 of Article 76 of the Code to the tax authority;

(3) packaging, loading, unloading, accompanying of goods and other similar works performance and/or provision of services directly related to transactions prescribed by points 1 and/or 2 of this part;

(4) provision of international transport services related to the transportation of cargo, mail and/or passengers. Within the meaning of this point:

a. transport services related to the transportation of cargo, mail and/or passengers via any type of vehicle shall be deemed to be international, where it starts in the Republic of Armenia and ends outside the territory of the Republic of Armenia or

where it starts outside the territory of the Republic of Armenia and ends in the territory of the Republic of Armenia;

b. intermediary activities for organising the transportation of cargo and/or passengers through (with the involvement of) other organisations and/or natural persons shall also be deemed to be transport services;

(5) performance of works and/or provision of services related to raw material processing in case of export of goods made from the raw material imported into the Republic of Armenia through customs procedure “Processing within the customs territory” for the purpose of processing or imported into the Republic of Armenia from EAEU member states for the purpose of processing, as prescribed by the EAEU unified customs legislation;

(6) in case of export of the property imported into the Republic of Armenia through customs procedure “Processing within the customs territory” for the purpose of mending (repairing) or imported into the Republic of Armenia from EAEU member states for the purpose of mending (repairing) as prescribed by the EAEU unified customs legislation, the supply of spare parts, parts, components, other supplementary elements used for repairing that property by the mender (repairer);

(7) performance of works and/or provision of services directly related to the transportation of goods — imported into the Republic of Armenia through customs procedure “Customs transit” — from the customs authority of import into the Republic of Armenia to the customs authority of export from the Republic of Armenia;

(8) with regard to aircrafts making flights via international routes:

a. supply of fuel required for fuelling up and goods intended for the consumption by the aircraft crew and passengers during the entire route;



- b. performance of works and/or provision of services related to support (including air navigation, take off-landing), mending, re-equipment, handling of passengers, luggage, cargo and mail, provision of services to passengers during the transportation;
- (9) provision of intermediary services that are directly related to and ensure the provision of services referred to in point 8 of this part;
- (10) retail sale of goods at duty-free shops to passengers leaving or arriving via international routes, as well as supply of those goods by other taxpayers to the organiser of the duty-free shop;
- (11) the performance of works and/or provision of services, the place of performance and/or provision whereof shall not be deemed to be the Republic of Armenia pursuant to Article 38 of the Code;
- (12) supply of goods to diplomatic representations and consular offices accredited in the Republic of Armenia, international organisations equivalent thereto (hereinafter referred to as “diplomatic representations”), performance of works for and/or provision of services to them.

The zero percent rate of VAT with respect to the transactions prescribed by this point shall apply only to those diplomatic representations, according to the legislation of which the application of the zero percent rate of VAT is prescribed for the diplomatic representation of the Republic of Armenia in the given country, or where such procedure is provided for by international treaties of the Republic of Armenia.

For the purpose of ensuring the application of this point, the Ministry of Foreign Relations of the Republic of Armenia shall submit the lists of diplomatic representations prescribed by this point and changes being made thereto to the tax authority in the manner prescribed by the Government of the Republic of Armenia. The tax authority shall post on its official website the lists and changes being made thereto referred to in this paragraph.

In cases prescribed by this point:

- a. the application of the zero percent rate of VAT shall be substantiated by VAT payer supplying goods, performing works and/or providing services through issuance of the relevant billing documents as prescribed by Article 56 of the Code;
- b. the application of the zero percent rate of VAT and compensation — provided to diplomatic representations — of the VAT amount included in the prices of the goods acquired, works accepted and/or services received by them, shall be carried out as prescribed by the Government of the Republic of Armenia, where instead of issuing billing documents with respect to transactions referred to in this point tax invoices or cash register machine receipts have been issued;

(13) provision of services — to relevant operators by the operator of telecommunications or postal service registered in the Republic of Armenia in the prescribed manner — with respect to which pursuant to the Constitution of the International Telecommunications Union (ITU) or the Constitution of the Universal Postal Union, respectively, mutual settlement of amounts subject to payment for services provided to each other within the scope of international connectivity services shall be carried out.

## **CHAPTER 14**

### ***CALCULATION OF VALUE ADDED TAX***

#### **Article 66. Issuance of tax invoices and adjusting tax invoices**

1. VAT payers shall — in cases prescribed by Article 56 of the Code — be obliged to issue tax invoices, and in cases prescribed by Article 42 of the Code — also adjusting tax invoices (hereinafter referred to as “tax invoices” in this Section).

2. Irrespective of the provisions of part 1 of this Article, tax invoices shall not be issued in cases prescribed by points 1-5 of part 1 of Article 67.

**Article 67. Restrictions on issuance of tax invoices**

1. Tax invoices shall not be issued:

(1) by those who are not deemed to be VAT payers with respect to the transactions performed during the reporting periods of not being deemed to be a VAT payer. The effect of this point does not extend to cases, where the tax invoice is issued by an organisation or individual entrepreneur — on behalf of the delegator deemed to be a VAT payer or a principal deemed to be a VAT payer, respectively — deemed to be a delegatee or agent, supplying goods or performing works or providing services through agency contracts that provide for the condition of acting on behalf of a delegation or principal;

(2) with respect to the transactions on supplying goods, performing works and/or providing services that are exempt from VAT;

(3) with respect to the transactions on supplying goods, performing works and/or providing services that are subject to taxation at zero percent rate of VAT;

(4) with respect to the transactions on supplying goods, performing works and/or providing services carried out within the scope of special tax systems prescribed by Section 13 of the Code;

(5) with respect to the transactions on supplying goods which pursuant to part 2 of Article 60 of the Code shall not be deemed to be a VAT taxable object.

2. Tax bills instead of tax invoices shall be drawn up in cases prescribed by part 1 of this Article, and shall be issued in cases and in the manner prescribed by Article 56 of the Code.

3. Where a VAT payer simultaneously performs any transaction prescribed by points 2-5 of part 1 of this Article and a transaction with respect to which a tax invoice must be issued, he or she may also include the transaction prescribed by points 2-5 of part 1 of this Article in the tax invoice.

#### **Article 68. Confirmation of tax invoices**

1. VAT payers shall confirm by electronic signature the tax invoices issued by suppliers and those performing works and providing services (hereinafter referred to as “suppliers” in this Section) with respect to the goods acquired, works accepted and services received during the reporting period.

2. In the case prescribed by part 2 of Article 70 of the Code the issuance of tax invoice as prescribed by part 7 of Article 56 of the Code shall be deemed to be a confirmation of the given tax invoice by electronic signature.

#### **Article 69. Reporting period**

1. Every reporting month shall be deemed to be a reporting period for the calculation and payment of VAT.

#### **Article 70. Procedure for calculation of the amount of value added tax subject to payment to the State Budget**

1. VAT payers shall pay for the reporting period the positive difference of VAT amounts calculated with respect to the tax base of transactions, performed during that period, considered to be taxable objects prescribed by points 1 and 2 of part 1 of Article 60 of the Code and of VAT amounts offsetable (reducible) as prescribed by

Article 71 of the Code (unless otherwise prescribed by Article 72 of the Code) to the State Budget.

2. The obligation for VAT calculation and payment in the manner and within the time limits prescribed by the Code with respect to VAT taxable transactions and operations on supply of goods, performance of works and/or provision of services carried out in the Republic of Armenia by a non-resident organisation lacking a permanent establishment in the Republic of Armenia or a non-resident natural person lacking a permanent establishment, as well as on importing goods owned by the right of ownership by that non-resident organisation or non-resident natural person to the Republic of Armenia (including from EAEU member states) shall be borne by VAT payers acting as a party to contractual relations, instead of that non-resident organisation or non-resident natural person, as a tax agent, except for cases prescribed by point 5 of the second paragraph of this part.

In cases prescribed by this Part:

- (1) the tax base of VAT taxable transactions and operations shall be determined as prescribed by Articles 61 and 62 of the Code;
- (2) VAT taxable transactions shall be deemed to be performed in the Republic of Armenia, where the place of delivery of goods pursuant to Article 37 of the Code and the place of performing the works or providing services pursuant to Article 39 of the Code shall be deemed to be the Republic of Armenia;
- (3) VAT threshold shall not be considered during the calculation of VAT with respect to VAT taxable transactions;
- (4) VAT payer acting as a party to contractual relations shall be exempt from the obligation for VAT calculation and payment, where it is substantiated by import documents (including by tax declaration of import or customs declaration of import) that the import has been carried out on behalf of the VAT payer irrespective of the

fact of transfer of the right of ownership to the goods in the territory of the Republic of Armenia;

(5) the obligation for VAT calculation and payment in the manner and within the time limits prescribed by the Code shall be borne by a non-resident organisation lacking a permanent establishment in the Republic of Armenia or a non-resident natural person lacking a permanent establishment, where a party to contractual relations is not deemed to be a VAT payer.

#### **Article 71. Procedure for offsets (reductions) of value added tax**

1. VAT offsetable (reducible) amounts shall be:

(1) separate VAT amounts in tax invoices (including in cases, where the date of issuance of the tax invoice is included in any reporting period preceding or following the reporting period, however, the transaction referred to in the tax invoice has been performed (i.e. the date of supply of goods, performance of works or provision of services referred to in the tax invoice is included) during that reporting period)), issued by the suppliers of goods acquired, works accepted and/or services received during the reporting period in the territory of the Republic of Armenia. VAT amounts prescribed by this point shall be offset (reduced):

a. by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of acquiring goods, accepting works and/or receiving services, where the tax invoice, issued by suppliers, pertaining to the relevant transaction has been confirmed by the person acquiring the goods, accepting the work and/or receiving the service as prescribed by part 1 of Article 68 of the Code prior to and including the deadline, prescribed by part 1 of Article 75 of the Code, for the submission of the unified calculation report of VAT and excise tax;

b. by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of confirming the tax invoice — issued by suppliers, pertaining to the relevant transaction — by the person acquiring the goods, accepted the work and/or received the service as prescribed by part 1 of Article 68 of the Code, where the tax invoice has not been confirmed prior to and including the deadline prescribed by part 1 of Article 75 of the Code for the submission of the unified calculation report of VAT and excise tax;

(2) VAT amounts calculated and paid in the manner and amount prescribed by the Code for goods imported into the territory of the Republic of Armenia through customs procedure “Release for domestic consumption”. VAT amounts prescribed by this point shall be offset (reduced):

a. by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of the registration of customs declaration of import of goods, except for cases prescribed by sub-point “c” of this point;

b. in case of submitting verified customs declaration of import of goods as prescribed by the EAEU unified customs legislation, by unified calculation report of VAT and excise tax, with respect to the additional VAT amount subject to offset (reduction), submitted to the tax authority for the reporting period that includes the days of the registration of the verified customs declaration of import and the days of the payment of additional VAT amounts, and — in case those days are included in different reporting periods — for the reporting period that includes the last of those days;

c. in case of postponement of the time limit for the payment of VAT amount subject to payment to the tax authority with respect to import of goods prescribed by Article 79 of the Code, by unified calculation report of VAT and excise tax, in the VAT amount paid, submitted to the tax authority for the reporting period that includes the day of the payment (including partial) of the relevant VAT amount;

d. in case of imposing additional liability with respect to VAT as a result of post-release checks carried out by the tax authority on import of goods, by unified calculation report of VAT and excise tax, in the VAT amount paid, submitted to the tax authority for the reporting period that includes the day of the fulfilment of that liability (including partial);

(3) VAT amounts calculated and paid in the manner and amount prescribed by the Code for goods, having the status of EAEU product, imported into the Republic of Armenia from EAEU member states. VAT amounts prescribed by this point shall be offset (reduced):

a. by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of importing the goods into the territory of the Republic of Armenia (crossing the state border of the Republic of Armenia), where the tax declaration of import of goods has been submitted to the tax authority and VAT amounts with respect to import have been paid prior to and including the deadline, prescribed by part 1 of Article 75 of the Code, for the submission of the unified calculation report of VAT and excise tax for the reporting period that includes the day of importing the goods into the territory of the Republic of Armenia (crossing the state border of the Republic of Armenia);

b. by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the days of the submission of customs declaration of import of goods to the tax authority and the days of the payment of VAT amounts, and in case those days are included in different reporting periods — for the reporting period that includes the last of those days, including the cases prescribed by sub-point “d” of this point, where the customs declaration of import of goods has not been submitted to the tax authority and/or VAT amounts with respect to import have not been paid prior to and including the deadline, prescribed by part 1 of Article 75 of the Code, for the submission of the unified calculation report of VAT and excise tax;



c. in case of submitting verified tax declaration of import of goods as prescribed by the EAEU unified customs legislation or the Code, by unified calculation report of VAT and excise tax, with respect to the additional VAT amount subject to offset (reduction), submitted to the tax authority for the reporting period that includes the days of the submission of verified tax declaration of import and the days of the payment of additional VAT amounts, and — in case those days are included in different reporting periods — for the reporting period that includes the last of those days;

d. in case of postponement of the time limit for the payment of VAT amount subject to payment to the tax authority with respect to import of goods prescribed by Article 79 of the Code, by unified calculation report of VAT and excise tax, in the VAT amount paid, submitted to the tax authority for the reporting period that includes the day of the payment (including partial) of the relevant VAT amount;

e. in case of imposing additional liability with respect to VAT on the import of goods as a result of the inspection carried out by the tax authority, by unified calculation report of VAT and excise tax, in the additional VAT amount paid, submitted to the tax authority for the reporting period that includes the day of the fulfilment of that liability (including partial);

(4) separate VAT amounts in tax invoices, issued by VAT payers, as prescribed by part 7 of Article 56 of the Code, with respect to goods acquired, works accepted and/or services received during the reporting period from a non-resident organisation lacking a permanent establishment in the Republic of Armenia or a non-resident natural person lacking a permanent establishment in the territory of the Republic of Armenia. VAT amounts prescribed by this point shall be offset (reduced):

a. by unified calculation report of VAT and excise tax, submitted to the tax authority for the reporting period that includes the day of acquiring goods, accepting works and/or receiving services, where the tax invoice pertaining to the relevant transaction

has been issued prior to and including the deadline, prescribed by part 1 of Article 75 of the Code, for the submission of the unified calculation report of VAT and excise tax;

b. by unified calculation report of VAT and excise tax, submitted to the tax authority for the reporting period that includes the day of the issuance of the tax invoice pertaining to the relevant transaction, where the tax bill has been issued after the deadline, prescribed by part 1 of Article 75 of the Code, for the submission of the unified calculation report of VAT and excise tax;

(5) separate VAT amounts in tax invoices issued on behalf of commission agent or agent, respectively, by commission principal or principal with respect to the transactions performed between commission principal and commission agent or principal and agent based on agency contracts providing for the condition of acting on behalf of the commission or agent under the rules prescribed by sub-points “a” and “b” of point 1 of this part;

(6) separate VAT amounts in tax invoices issued on behalf of commission principal or principal, respectively, by commission agent or agent with respect to transactions performed between commission agent and commission principal or agent and principal based on agency contracts providing for the condition of acting on behalf of the commission or agent under the rules prescribed by sub-points “a” and “b” of point 1 of this part;

(7) separate VAT amounts in tax invoices issued on behalf of third party by commission agent or agent, respectively, with respect to transactions performed between commission agent and third party or agent and third party based on agency contracts providing for the condition of acting on behalf of the commission or agent under the rules prescribed by sub-points “a” and “b” of point 1 of this part;

(8) separate VAT amounts in tax invoices issued on behalf of commission agent or agent, respectively, by third party with respect to the transactions performed between third party and commission agent or third party and agent based on agency contracts

providing for the condition of acting on behalf of the commission or agent, under the rules prescribed by sub-points “a” and “b” of point 1 of this part;

(9) separate VAT amounts in tax invoices, customs and tax declarations of import with respect to acquisitions, included in the composition of property assigned for trust management and carried out for the purpose of the performance of those transactions under the rules prescribed by this Article.

## **Article 72. Restrictions on offsets (reductions)**

1. For the purpose of calculation of VAT amounts subject to payment to the budget or subject to compensation from the budget as prescribed by Articles 70 and 74 of the Code, VAT offsets (reductions) shall not be made:

- (1) by those who are not deemed to be VAT payers;
- (2) where the acquired and/or imported goods, accepted works and/or received services are attributed to transactions exempt from VAT, except for cases prescribed by points 19 and 31 of part 2 of Article 64 of the Code, where VAT offsets (reductions) are carried out as prescribed by the Code, irrespective of the fact of attributing the acquired and/or imported goods, accepted works and/or received services to transactions exempt from VAT;
- (3) where the acquired and/or imported goods, accepted works and/or received services are attributed to transactions subject to taxation within the scope of special taxation systems prescribed by Section 13 of the Code;
- (4) where the acquired and/or imported goods, accepted works and/or received services are attributed to transactions which pursuant to part 2 of Article 60 of the Code, are not deemed to be VAT taxable objects;

- (5) where the acquired and/or imported goods, accepted works and/or received services are attributed to the transaction pertaining to the tax invoice issued in violation of one of the restrictions prescribed by Article 67 of the Code;
- (6) where the tax invoice is deemed to be a paper-transfer document pursuant to point 55 of part 1 of Article 4 of the Code;
- (7) where the transaction pertaining to the tax invoice has been declared invalid pursuant to Article 41 of the Code;
- (8) where light passenger motor vehicles have been acquired and/or imported not for the purpose of sales, except for cases where light passenger motor vehicles are used for rental purposes. Within the meaning of this point, a light passenger motor vehicle is deemed not to have been acquired and/or imported for the purpose of sales, where the right of ownership over the motor vehicle has been registered as prescribed by law.

**Article 73. Procedure for reformulation of liabilities and offsets  
(reductions)**

1. Where acquiring and importing goods (including building a fixed asset), accepting works or receiving services (hereinafter referred to as “acquisitions” in this Section) are directly attributed to transactions subject to taxation at 20 or 0 percent rate of VAT (hereinafter referred to as “VAT taxable transactions” in this Section) or where it is impossible to directly attribute them to VAT taxable transactions or transactions prescribed by points 2-4 of part 1 of Article 72 of the Code (hereinafter referred to as “VAT non-taxable transactions” in this Section), the offset (reduction) of VAT amounts with respect to those acquisitions shall be carried out during the reporting period of the performance of the acquisitions as prescribed by the Code.

2. Where the acquisitions, with respect to which the offset (reduction) of VAT amounts has been carried out during the previous reporting periods as prescribed by the Code, are attributed fully or partially to VAT non-taxable transactions during the next reporting periods, then:

(1) with respect to goods (except for the fixed asset), work or service:

a. offset (reduced) VAT amounts shall be subject to reformulation — deduction from the amounts subject to offset (reduction) during the reporting period — in the amount calculated at 20 percent rate of VAT against the value corresponding to the share directly attributed to VAT non-taxable transactions during the given reporting period;

b. offset (reduced) VAT amounts shall be subject to reformulation — deduction from the amounts subject to offset (reduction) during the reporting period — in the tax amount determined by the coefficient corresponding to the share of the tax base of VAT non-taxable transactions within the common tax base of all transactions performed during the reporting period, where during the reporting period the given goods, work or service are attributed to VAT taxable and VAT non-taxable transactions, and where it is impossible to directly attribute the given goods, work or service to VAT taxable and VAT non-taxable transactions;

c. offset (reduced) VAT amounts shall be subject to reformulation — deduction from the amounts subject to offset (reduction) during the reporting period — in the amount calculated at 20 percent rate of VAT against the tax base corresponding to the share not attributed to VAT taxable transactions on the given goods, work or service, where the supply of goods, performance of work or provision of service during the reporting period is a VAT non-taxable transaction;

(2) with respect to fixed asset or intangible asset:

a. offset (reduced) VAT amounts shall be subject to reformulation — deduction from the amounts subject to offset (reduction) during the reporting period — in the amount calculated at 20 percent rate of VAT against the amount of amortisation deductions

calculated for the given fixed asset or intangible asset in the amounts prescribed for the given reporting period by Article 121 of the Code, where the use of that fixed asset or intangible asset during the given reporting period has been attributed exclusively to VAT non-taxable transactions;

b. offset (reduced) VAT amounts shall be subject to reformulation — deduction from the amounts subject to offset (reduction) during the reporting period — in the amount of the product of the amount calculated at 20 percent rate of VAT against the amount of amortisation deductions calculated for the given fixed asset or intangible asset in the amounts prescribed for the given reporting period by Article 121 of the Code and of the coefficient corresponding to the share of the tax base of VAT non-taxable transactions within the common tax base of all transactions performed during the reporting period, where the given fixed asset or intangible asset is simultaneously attributed to both VAT taxable and VAT non-taxable transactions during the reporting period;

c. offset (reduced) VAT amounts shall be subject to reformulation — deduction from the amounts subject to offset (reduction) during the reporting period — in the amount calculated at 20 percent rate of VAT against the book value of the given fixed asset or intangible asset, where the alienation of the given fixed asset or intangible asset during the reporting period is a VAT non-taxable transaction.

3. Where the acquisitions are directly attributed to VAT non-taxable transactions, VAT amounts with respect to those acquisitions shall not be subject to offset (reduction) during the reporting period of the performance of those acquisitions.

4. Where the acquisitions, with respect to which deduction of VAT offsetable (reducible) amounts has been carried out (VAT amounts have been added to the value of acquisitions as prescribed by Section 6 of the Code) during the previous reporting periods as prescribed by the Code, are attributed fully or partially to VAT taxable transactions during the next reporting periods, then:

(1) with respect to goods (except for the fixed asset), work or service:

a. non-offset (non-reduced) VAT amounts shall be subject to reformulation — to being added to the amounts subject to offset (reduction) during the reporting period — in the amount calculated at 16.67 percent settlement rate of VAT against the value corresponding to the share directly attributed to VAT taxable transactions during the given reporting period;

b. non-offset (non-reduced) VAT amounts shall be subject to reformulation — to being added to the amounts subject to offset (reduction) during the reporting period — in the tax amount determined by the coefficient corresponding to the share of the tax base of VAT non-taxable transactions within the common tax base of all transactions performed during the reporting period, where during the reporting period the given goods, work or service are attributed to VAT taxable and VAT non-taxable transactions, and where it is impossible to directly attribute the given goods, work or service to VAT taxable and VAT non-taxable transactions;

c. non-offset (non-reduced) VAT amounts shall be subject to reformulation — to being added to the amounts subject to offset (reduction) during the reporting period — in the amount calculated at 16.67 percent settlement rate of VAT against the tax base corresponding to the share not attributed to VAT non-taxable transactions on the given goods, work or service, where the supply of goods, performance of work or provision of service during the reporting period is a VAT taxable transaction;

(2) with respect to fixed asset or intangible asset:

a. non-offset (non-reduced) VAT amounts shall be subject to reformulation — to being added to the amounts subject to offset (reduction) during the reporting period — in the amount calculated at 16.67 percent settlement rate of VAT against the amount of amortisation deductions calculated for the given fixed asset or intangible asset in the amounts prescribed for the given reporting period by Article 121 of the

Code, where the use of that fixed asset or intangible asset during the given reporting period has been attributed exclusively to VAT taxable transactions;

b. non-offset (reduced) VAT amounts shall be subject to reformulation — to being added to the amounts subject to offset (reduction) during the reporting period — in the amount of the product of the amount calculated at 16.67 percent settlement rate of VAT against the amount of amortisation deductions calculated for the given fixed asset or intangible asset in the amounts prescribed for the given reporting period by Article 121 of the Code and of the coefficient corresponding to the share of the tax base of VAT taxable transactions within the common tax base of all transactions performed during the reporting period, where the given fixed asset or intangible asset is simultaneously attributed to both VAT taxable and VAT non-taxable transactions during the reporting period;

c. non-offset (non-reduced) VAT amounts shall be subject to reformulation — to being added to the amounts subject to offset (reduction) during the reporting period — in the amount calculated at 16.67 percent settlement rate of VAT against the book value of the given fixed asset or intangible asset, where the alienation of the given fixed asset or intangible asset during the reporting period is a VAT taxable transaction.

5. Where the offset (reduction) of the amount, determined as prescribed by this Article, subject to offset (reduction) is postponed upon the grounds prescribed by Article 71 of the Code, the offset (reduction) of those amounts shall be carried out during the reporting periods when the right thereto arose, based on the portions of the tax bases of VAT taxable and VAT non-taxable transactions performed during the reporting period of the performance of the relevant acquisitions, without taking account of the portions of the tax bases of VAT taxable and VAT non-taxable transactions performed during the reporting period when the right to offset (reduction) arose.



6. In case of the loss of acquisitions of VAT payers, the VAT amounts pertaining to those acquisitions shall not be subject to offset (reduction), where those losses are not subject to deduction from gross income for the purpose of taxation pursuant to Section 6 of the Code. Pursuant to Section 6 of the Code, in case the value of loss is determined on annual basis, the VAT offsetable (reducible) amount calculated more as compared with the annual norm of loss within each reporting period of VAT shall be recalculated by annual output during the last reporting period of VAT of the given year, considering the difference as a reduction of VAT offsetable (reducible) amount during the last reporting period.

7. In case of liquidation of the fixed asset by VAT payers, with respect to which offset (reduction) of VAT amounts has been carried out during the previous reporting periods as prescribed by the Code, VAT offset (reduced) amounts shall be subject to reformulation — deduction from the amounts subject to offset (reduction) during the reporting period — in the amount calculated at 20 percent rate of VAT against the book value of the given fixed asset.

In case the fixed asset referred to in this part is later on alienated as a fixed asset of the same designated purpose, VAT amounts deducted from the amounts subject to offset (reduction) as prescribed by this part shall again be subject to reformulation — to being added to the amounts subject to offset (reduction) during the reporting period that includes the day of alienation, where the alienation of the fixed asset during the reporting period is a VAT taxable transaction.

8. Where VAT amounts with respect to light passenger motor vehicles, not acquired or imported for the purpose of sales, have been deducted from the VAT amounts subject to offset (reduction) pursuant to point 8 of part 1 of Article 72 of the Code, in case the given motor vehicle is later on alienated, previously non-offset (non-reduced) VAT amounts shall be added to the amounts subject to offset (reduction) by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of alienation of the motor vehicle — in the

amount calculated at 16.67 percent settlement rate of VAT against the book value of the given motor vehicle, where the alienation of the given motor vehicle during the reporting period is a VAT taxable transaction.

In the case, prescribed by this part, adding of VAT amounts to the amounts subject to offset (reduction) by unified calculation report of VAT and excise tax shall be carried out, where at the moment of alienation of the motor vehicle the alienator is deemed, pursuant to the Code, to be a VAT payer, irrespective of the fact of being deemed to be a VAT payer at the moment of acquisition and/or import of the motor vehicle.

9. Where separate VAT amounts in customs or tax declaration of import submitted previously by the verified customs or tax declaration of import of goods (including those imported from EAEU member states), submitted as prescribed by the EAEU unified customs legislation or the Code, decrease, the difference of separate VAT amounts in customs or tax declaration of import and in verified customs or tax declaration of import shall be deducted from VAT amounts subject to offset (reduction) by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of the registration or submission to the tax authority of the verified customs or tax declaration of import.

10. Where separate VAT amounts in customs declaration of import decrease as a result of post-release checks carried out by the tax authority on import of goods, the decreased part of separate VAT amounts in customs declaration of import shall be deducted from VAT amounts subject to offset (reduction) by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of drawing up of an act of post-release checks.

11. In case of removing the individual entrepreneur from record-registration or dismissing the notary from position, VAT amounts previously offset (reduced) with respect to assets (except for fixed assets and intangible assets) available as of the day of removing the individual entrepreneur from record-registration or dismissing the

notary from position, respectively, and with respect to fixed assets and intangible assets — the share of previously offset VAT amounts that corresponds to the book value of the fixed asset or intangible asset as of the day of removing the individual entrepreneur from record-registration or dismissing the notary from position shall be deducted from VAT amounts subject to offset (reduction) by the unified calculation report of VAT and excise tax submitted for the last time, acting as a VAT payer, to the tax authority prior to removal from record-registration or dismissal of the notary from position. This part shall also apply in the case, where at the moment of removal from record-registration or dismissal of the notary from position, the individual entrepreneur or the notary is deemed to be a turnover tax payer or a subject of family entrepreneurship.

12. Pursuant to the Code, VAT recoverable amount, being at the disposal of VAT payers as of the day of transfer from common tax system to special tax systems or having originated during the time of being in the special tax system, may be repaid at the expense of VAT liabilities in case of later being again transferred to the common tax system. Within the meaning of this part, when calculating VAT recoverable amount having originated during the time of being in the special tax system, the VAT recoverable amount at the disposal of the taxpayer as of the day of transfer from the common tax system to special tax systems, the VAT amounts subject to payment or offset (reduction) to the State Budget by unified calculation reports of VAT and excise tax, submitted during that period as prescribed by the Code, shall be taken into account.

13. With respect to VAT amounts offset (reduced), failure to make reformulations (deductions) in the cases and manner prescribed by this Article shall be deemed to be an under-reporting of tax amount in the tax calculation report within the meaning of Article 403 of the Code.

14. Reformulations shall not be made as prescribed by this Article, where a taxpayer is not deemed to be a VAT payer during the period, prescribed by this Article, intended for making a reformulation.

**Article 74. Procedure for calculation of the amount of value added tax subject to compensation from the State Budget**

1. VAT amount subject to compensation from the State Budget to VAT taxpayers due to the results of the activities carried out during the reporting period shall be calculated as the negative difference (hereinafter referred to as “VAT recoverable amount”) of the VAT amount calculated against the tax base of transactions, considered to be taxable objects, performed during that period and prescribed by points 1 and 2 of part 1 of Article 60 of the Code and of VAT amounts offset (reduced) as prescribed by Article 71 of the Code (unless otherwise prescribed by Article 72 of the Code).

2. VAT recoverable amount generated based on the results of the activities carried out during the reporting period shall be directed to repayment of VAT amounts, subject to payment to the State Budget, generated by unified calculation reports of VAT and excise tax due to the results of the activities carried out during the reporting periods, as well as of additional VAT amounts recorded as a result of inspections or examinations carried out by the tax authority as prescribed by Section 17 of the Code, except for cases prescribed by this part and part 3 of this Article.

Where a VAT payer disposes of VAT recoverable amount as of the twenty-first of the month following each reporting semester, that amount shall be credited to a unified account — based on the written application of the VAT payer — in case it is substantiated by the results of inspection or examination carried out as prescribed by Section 17 of the Code.

3. In case of performing transactions and operations subject to taxation at zero percent rate of VAT, where a VAT payer disposes of VAT recoverable amount, the VAT recoverable amounts shall be credited to a unified account — based on the written application of the VAT payer — in case it is substantiated by the results of inspection or examination carried out as prescribed by Section 17 of the Code. In this case, the share of the VAT recoverable amount, not exceeding 20 percent of the tax base of the transactions taxable at zero percent rate of VAT during the reporting period, shall be credited to the unified account of the taxpayer, and the share exceeding that amount of the VAT recoverable amount shall be further recorded as a recoverable amount and shall be later on directed at the redemption of tax liabilities with respect to VAT amount or credited to a unified account as prescribed by this Article.

**Article 75.                    Submission of unified calculation reports of value added tax and excise tax**

1. VAT payers shall submit unified calculation reports of VAT and excise tax to the tax authority as prescribed by Article 53 of the Code, prior to and including the twentieth day of the month following each reporting semester.

2. Taxpayers, prescribed by part 4 of Article 59 of the Code, shall — in case of performing a transaction deemed to be a taxable object — submit unified calculation reports of VAT and excise tax to the tax authority for the reporting period that includes the day of the performance of that transaction as prescribed by Article 53 of the Code prior to and including the twentieth day of the month following that reporting period.

3. In cases, prescribed by point 5 of the second paragraph of part 2 of Article 70 of the Code, a non-resident organisation or a non-resident natural person shall — in case of performing a transaction, prescribed by part 2 of Article 70 of the Code, deemed to be a taxable object — submit unified calculation reports of VAT and excise

tax in hard copies to the tax inspectorate serving Kentron Administrative District of the city of Yerevan for the reporting period that includes the day of the performance of that transaction as prescribed by Article 53 of the Code prior to and including the twentieth day of the month following that reporting period.

4. In case of issuing a tax invoice in violation of one of the restrictions prescribed by Article 67 of the Code, the person issuing a tax invoice shall submit unified calculation report of VAT and excise tax to the tax authority for the reporting period that includes the day of the issuance of the tax invoice as prescribed by Article 53 of the Code prior to and including the twentieth day of the month following that reporting period.

**Article 76.                    Application of zero rate of value added tax against the tax base of the transactions on supply of goods exported to EAEU member states**

1. Application of zero rate of VAT with respect to the transactions on supply of goods having the status of EAEU product exported into EAEU member states from the territory of the Republic of Armenia shall be substantiated on the day of the submission of the tax declaration of export to the tax authority by an exporter.

2. In case the export of goods, having the status of EAEU product, is carried out from the territory of the Republic of Armenia into EAEU member states based on delegation, commission or agency contracts, by the delegatee, commission agent or agent respectively, and the tax declaration of export prescribed by part 1 of this Article is submitted to the tax authority by the delegatee, commission agent or agent respectively, the application of zero rate of VAT with respect to the transactions on supply of exported goods by the delegator, commission principal or principal, respectively, may be substantiated, where the fact of export of goods of the exporter is substantiated by the delegatee, commission agent or agent by relevant settlement documents.

**Article 77. Documents submitted to the tax authority in case of importing goods from EAEU member states**

1. In case of import of goods, having the status of EAEU product, into the territory of the Republic of Armenia from the EAEU member states (including the cases prescribed by part 6 of Article 59 of the Code, as well as Article 79 of the Code) the taxpayer shall be obliged to — prior to and including the twentieth day of the month following the month that includes the day of import of goods into the territory of the Republic of Armenia (crossing the state border of the Republic of Armenia) — submit only the following documents to the tax authority:

(1) tax declaration of import completed by the importer;

(2) the statement on the import of goods and payment of indirect taxes (or exemption from indirect taxes, payment of indirect taxes under another procedure) completed by the importer — in hard copy (4 copies) and electronic format, or the statement on the import of goods and payment of indirect taxes (or exemption from indirect taxes, payment of indirect taxes under another procedure) completed by the importer — in electronic format with the electronic (digital) signature of the taxpayer.

2. In case goods, having the status of EAEU product, are imported into the territory of the Republic of Armenia from the EAEU member states based on delegation, commission or agency contracts by the delegatee, commission agent or agent respectively, or by a permanent establishment of the resident of another EAEU member state located in the Republic of Armenia or by a participant of the fair organised in the Republic of Armenia, the documents prescribed by part 1 of this Article shall be submitted to the tax authority by the delegatee, commission agent or agent respectively or by a permanent establishment of the resident of EAEU member state located in the Republic of Armenia or by the participant of the fair organised in the Republic of Armenia prior to and including the twentieth day of the month

following the month that includes the day of the alienation of the goods or a part thereof to the buyer.

3. In case the right of ownership over goods, having the status of EAEU product, imported by the buyer into the territory of the Republic of Armenia from the EAEU member states, is transferred to the buyer in the territory of the Republic of Armenia, the buyer shall submit the documents prescribed by part 1 of this Article to the tax authority prior to and including the twentieth day of the month following the month that includes the day of the transfer of the right of ownership over goods to the buyer.

## **CHAPTER 15**

### ***PROCEDURE FOR PAYING, REFUNDING VALUE ADDED TAX AMOUNT AND CREDITING IT TO UNIFIED ACCOUNT***

#### **Article 78. Payment of value added tax amount**

1. VAT payers shall pay to the State Budget VAT amounts, calculated as prescribed by Article 70 of the Code, subject to payment to the State Budget in the form of amounts paid to the tax authority prior to and including the twentieth day of the month following each reporting period.

2. Taxpayers prescribed by part 4 of Article 59 of the Code shall — in case of performing a transaction deemed to be a taxable object — pay the VAT amount originating from that transaction to the State Budget in the form of amounts paid to the tax authority prior to and including the twentieth day of the month following the reporting period that includes the day of the performance of that transaction.

3. The non-resident organisation or the non-resident natural person shall — in cases, prescribed by point 5 of the second paragraph of part 2 of Article 70 of the Code, in case of performing a transaction deemed to be a taxable object prescribed by



part 2 of Article 70 of the Code — pay the VAT amount originating from that transaction to the State Budget in the form of amounts paid to the tax authority prior to and including the twentieth day of the month following the reporting period that includes the day of the performance of that transaction.

4. In case of issuing a tax invoice in violation of one of the restrictions prescribed by Article 67 of the Code, the person issuing the tax invoice shall pay the VAT amount referred to in that tax invoice to the State Budget in the form of amounts paid to the tax authority prior to and including the twentieth day of the month following the reporting period that includes the day of the performance of that transaction.

5. The VAT amounts calculated as prescribed by the Code for goods imported into the Republic of Armenia through customs procedure “Release for domestic consumption” shall be paid to the State Budget of the Republic of Armenia in the form of amounts paid to the customs authority before the release of goods through customs procedure “Release for domestic consumption” (unless other time limit is prescribed by the EAEU unified legislation).

6. The VAT amounts calculated as prescribed by the Code for goods, having the status of EAEU product, imported into the Republic of Armenia from the EAEU member states shall be paid to the State Budget of the Republic of Armenia in the form of amounts paid to the tax authority prior to and including the twentieth day of the month following the month that includes the day of import of goods into the territory of the Republic of Armenia (crossing the state border of the Republic of Armenia), except for cases prescribed by parts 7 and 8 of this Article.

7. In cases prescribed by part 2 of Article 77 of the Code, the VAT amounts calculated as prescribed by the Code shall be paid to the State Budget of the Republic of Armenia in the form of amounts paid to the tax authority by the delegatee, commission agent or agent or by a permanent establishment of the resident of the EAEU member state located in the Republic of Armenia or the organiser of the fair organised in the Republic of Armenia prior to and including the twentieth day of the

month following the month that includes the day of the alienation of goods to the buyer by the delegatee, commission agent or agent, respectively, or by a permanent establishment of the resident of another EAEU member state located in the Republic of Armenia or the participant of the fair organised in the Republic of Armenia.

8. In cases prescribed by part 3 of Article 77 of the Code, the VAT amounts calculated as prescribed by the Code shall be paid to the State Budget of the Republic of Armenia by the buyer in the form of amounts paid to the tax authority prior to and including the twentieth day of the month following the month that includes the day of the transfer of the right of ownership over goods to the buyer.

**Article 79.            Postponing the time limit for the payment of value added tax amount**

1. Unless otherwise prescribed by this Article, the time limit for the payment of VAT amounts — to the State Budget by VAT payers — calculated with respect to the import (including import from the EAEU member states) of goods classified under 841920000, 841990150, 8422 (except for 842211000 and 842290100 codes), 8426, 8429, 8430, 8435, 8441, 84431, 8452 (except for 845210 and 845290000 codes), 8453, 8475, 8478, 8479, 85023100 or 870410 codes of CN FEA (Commodity Nomenclature of Foreign Economic Activity) classifier shall be postponed:

(1) for a period of one year, where the customs value of the goods, classified under the mentioned codes, imported from the states not considered to be EAEU members, and the VAT tax base of the goods, classified under the mentioned codes, imported from the EAEU member states is less than AMD 70 million;

(2) for a period of two years, where the customs value of the goods, classified under the mentioned codes, imported from the states not considered to be EAEU members, and the VAT tax base of the goods, classified under the mentioned codes, imported from the EAEU member states ranges from AMD 70 million (inclusive) to AMD 300 million;

(3) for a period of three years, where the customs value of the goods, classified under the mentioned codes, imported from the states not considered to be EAEU members, and the VAT tax base of the goods, classified under the mentioned codes, imported from EAEU member states is AMD 300 million or more.

2. The time limit for the payment of VAT amounts — to the State Budget by VAT payers — calculated with respect to the import (including import from the EAEU member states) of goods classified under 250510, 250900, 251820, 2836, 3901, 3902, 3903, 3904, 3905, 3906 codes of CN FEA classifier shall be postponed for a period of one year.

3. The time limit for the payment of VAT amounts — to the State Budget — calculated with respect to the goods imported into the Republic of Armenia (including import from the EAEU member states) through customs procedure “Release for domestic consumption” and classified under 84 and 85 groups of CN FEA (except for codes classified under 84 and 85 groups of CN FEA prescribed by part 1 of this Article), as well as under 2307009000, 2807, 2817000000, 39219030, 4002, 400241, 400249, 4003, 4004, 4005, 4007, 7201, 7202, 7203, 7204, 7205, 7206, 7207, 7402, 7403, 7404, 7405, 7406, 7407, 7408, 7409, 7410, 7411, 7412, 7413, 7415, 74199910, 7501, 7502, 7503, 7504, 7505, 7506, 7507, 7508, 7603, 7604, 7605, 7801, 7802, 7804, 7901, 7902, 7903, 7904, 7905, 7907, 8001, 8002, 8003, 8101, 8103, 8104, 8105, 8106, 8107, 8108, 8109, 8110, 8111, 8112, 8113 codes shall be postponed prior to and including the twentieth day of the month following the reporting period that includes the day of the release of the goods.

4. The time limit for the payment of VAT amounts by organisations and individual entrepreneurs, selected by the decision of the Government of the Republic of Armenia, calculated within the scope of investment programmes, as well as with respect to the import of goods referred to in this Article and import of other goods shall be postponed for a period of three years. The procedure for selecting

organisations and individual entrepreneurs shall be prescribed by the Government of the Republic of Armenia.

5. Within the meaning of:

(1) application of part 1 of this Article, the tax declaration of import of goods prescribed by point 1 of part 1 of Article 77 of the Code shall be taken as a basis when determining the VAT tax base of goods imported from EAEU member states;

(2) application parts 1-4 of this Article, the beginning of the period for postponing the time limit for VAT payment shall be considered:

a. the date (day) of the registration of customs declaration by tax authorities in case of import of goods into the Republic of Armenia through customs procedure “Release for domestic consumption”;

b. in case of import of goods, having the status of EAEU product, into the Republic of Armenia from EAEU member states — the date (day) of the submission of customs declaration of import, but not later than prior to and including the twentieth day of the month following the month that includes the day of import of the given goods (crossing the state border of the Republic of Armenia).

6. The time limit for the payment of VAT amounts calculated with respect to the import of goods classified under the codes of the CN FEA classifier, prescribed by parts 1 and 2 of this Article, may not be postponed where the taxpayer submits a written statement on rejecting the opportunity to postpone the time limit for the payment of the VAT amounts to customs authorities — with respect to goods imported into the Republic of Armenia through customs procedure “Release for domestic consumption” and to tax authorities — with respect to goods, having the status of EAEU product, imported from the EAEU member states.

7. The VAT amounts, the time limit for the payment of which has been postponed according to parts 1-4 of this Article, shall be subject to payment to the State Budget prior to and including the day of the expiry of the postponed time limit.

8. The postponement of the time limit for the payment of VAT amounts (or a part thereof), the time limit for the payment of which has been postponed according to parts 1-4 of this Article, shall be terminated (obligation for VAT payment shall arise) prior to the expiry of the time limit referred to in the relevant part, where the taxpayer submits a written statement on early termination of the postponement of the time limit for the payment of VAT amounts to customs authorities — with respect to the import carried out in the Republic of Armenia through customs procedure “Release for domestic consumption”, and to tax authorities — with respect to the import of goods, having the status of EAEU product, carried out from EAEU member states. In cases, prescribed by this part, the postponement of the time limit for the payment of VAT amounts (or a part thereof) shall be terminated (obligation for VAT payment shall arise) on the day following the day of the submission of the statement and the VAT amounts shall be subject to payment to the State Budget in the amount referred to in the statement prior to and including the tenth day following the day of the submission of the statement.

9. Where the taxpayers having availed themselves the opportunity to postpone the time limit for the payment of VAT amounts calculated with respect to the import of goods prescribed by this Article are liquidated or removed from the record-registration before the end of the time limit for the postponement, the VAT amounts, the time limit for the payment of which has been postponed, shall be subject to payment to the State Budget prior to the liquidation of the taxpayer or removal of the taxpayer from record-registration.

10. In case the VAT amounts are not paid within the time limits prescribed by parts 7-9 of this Article, the calculation of the fines prescribed by Article 401 of the Code and control over those amounts with respect to the goods imported into the Republic of Armenia through customs procedure “Release for domestic consumption” shall be carried out by the customs authority, and with respect to the goods, having the status of EAEU product, imported from EAEU member states — by the tax authority. The calculated VAT amounts and, in case they are not paid within the prescribed time

limits, the fines calculated with respect to them shall be paid to the State Budget in the form of amounts paid to the customs authority with respect to the goods, imported into the Republic of Armenia through customs procedure “Release for domestic consumption”, and to the tax authority — with respect to the goods, having the status of EAEU product, imported from EAEU member states.

11. The VAT amounts subject to payment to the State Budget pursuant to parts 7-9 of this Article shall be reflected in the unified calculation report of VAT and excise tax, submitted to the tax authority for the reporting period when the liability arose, in the form of amounts of the liability to the State Budget with respect to the imported goods that are not considered in the calculation of the sum total of the VAT liability for the transactions, performed in the territory of the Republic of Armenia during the reporting period, subject to VAT taxation. The unified calculation reports of VAT and excise tax prescribed by this part shall be submitted irrespective of whether the taxpayers, having availed themselves the benefit of postponement at the moment when the obligation for payment to the State Budget arose pursuant to parts 7-9 of this Article, are deemed to be or are not deemed to be VAT payers.

12. The VAT amounts paid to the State Budget pursuant to parts 7-9 of this Article shall be subject to offset (reduction from the calculated liabilities) by VAT payers in the form of VAT amounts paid for the imported goods as prescribed by the Code by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of the payment thereof.

#### **Article 80.            Crediting value added tax amount to unified account**

1. In cases prescribed by parts 2 and 3 of Article 74 of the Code, the VAT recoverable amounts shall be credited to the unified account in the manner and within the time limits prescribed by the Code with regard to tax administration.

2. The VAT amounts paid in excess of the amount prescribed by the Code shall be credited to the unified account in the manner and within the time limits prescribed by the Code with regard to tax administration.

**Article 81. Compensation of value added tax amount**

1. In case of export of goods acquired in the territory of the Republic of Armenia by foreign nationals and stateless persons, foreign nationals and stateless persons shall receive compensation for VAT amounts included in those prices and paid in the territory of the Republic of Armenia in the cases and in the manner prescribed by the Government of the Republic of Armenia.

**SECTION 5**

**EXCISE TAX**

**CHAPTER 16**

***EXCISE TAX AND TAXPAYERS***

**Article 82. Excise tax**

1. Excise tax is a state tax paid to the State Budget in the manner, amount and within the time limits prescribed by the Code for the performance of transactions and/or operations deemed to be taxable objects prescribed by Article 84 of the Code.

### **Article 83. Excise taxpayers**

1. Organisations and individual entrepreneurs performing transactions and/or operations considered to be taxable objects prescribed by Article 84 of the Code shall be deemed to be excise taxpayers.
2. The resident organisation of the Republic of Armenia or the individual entrepreneur record-registered in the Republic of Armenia or the permanent establishment of a non-resident as a customer, respectively shall be deemed to be an excise taxpayer with respect to the transaction on the supply of excisable goods, produced or packaged in the territory of the Republic of Armenia from the raw material provided by the resident organisation or the individual entrepreneur or the permanent establishment of a non-resident based on contracts concluded with them.
3. The organisation or the individual entrepreneur producing or packaging goods shall be deemed to be an excise taxpayer with respect to excisable goods, produced or packaged from the raw material provided by the non-resident organisation lacking a permanent establishment or the non-resident individual entrepreneur lacking a permanent establishment based on contracts concluded with them.
4. Natural persons not deemed individual entrepreneurs shall not be deemed to be excise taxpayers, however, where they import excisable goods into the territory of the Republic of Armenia (including from EAEU member states), the import of which shall be deemed to be an import carried out for the purpose of entrepreneurial activity pursuant to the Law of the Republic of Armenia “On customs regulation”, they shall be obliged to calculate and pay the excise tax amounts originating from those imports to the State Budget in the manner, amount and within the time limits prescribed by the Code.



## CHAPTER 17

### *EXCISABLE OBJECTS, TAX BASE AND RATES*

#### **Article 84.        Excisable object**

1. The following transactions and/or operations, performed with respect to excisable goods shall be deemed to be excisable objects:

- (1) the supply of excisable goods, produced or packaged by the producer, where the place of delivery of goods is deemed to be the Republic of Armenia pursuant to Article 37 of the Code. Within the meaning of this point, in cases, prescribed by part 3 of Article 83 of the Code, the transfer of excisable goods to the customer shall also be deemed to be a supply of excisable goods;
- (2) import of excisable goods into the Republic of Armenia through the customs procedure “Release for domestic consumption”;
- (3) import of excisable goods, having the status of EAEU product, into the Republic of Armenia from the EAEU member states;
- (4) supply of compressed natural gas at a NGV-refuelling compressor station. Within the meaning of this point, the consumption of compressed natural gas for domestic economic needs by the taxpayer operating a NGV-refuelling compressor station shall also be deemed to be a supply of compressed natural gas.

#### **Article 85.        Excisable tax base**

1. In case of a transaction on the supply of excisable goods — unless otherwise prescribed by Article 86 of the Code — excisable tax base shall be deemed to be:

- (1) the quantity (volume) of the goods expressed in in-kind measurement units, prescribed by Article 88 of the Code, for the excisable goods with respect to which special (constant) rates are prescribed by Article 88 of the Code;

(2) the value of the goods expressed in cash, without VAT and excise tax for excisable goods with respect to which settlement (percentage) rates of excise tax are prescribed by Article 88 of the Code, except for tobacco products, with respect to which the maximum retail price without VAT and excise tax for tobacco products marked on the boxes of tobacco products as prescribed by the Government of the Republic of Armenia shall be deemed to be an excisable tax base.

2. In case of import of excisable goods through customs procedure “Release for domestic consumption”, excisable tax base shall be deemed to be:

(1) the quantity (volume) of the goods expressed in in-kind measurement units, prescribed by Article 88 of the Code, for the excisable goods with respect to which special (constant) rates are prescribed by Article 88 of the Code;

(2) the customs value of the goods determined as prescribed by the EAEU unified customs legislation, for excisable goods with respect to which settlement (percentage) rates of excise tax are prescribed by Article 88 of the Code, except for tobacco products, with respect to which the maximum retail price without VAT and excise tax for tobacco products marked on the boxes of tobacco products as prescribed by the Government of the Republic of Armenia shall be deemed to be an excisable tax base.

3. In case of import of excisable goods, having the status of EAEU product, from the EAEU member states, excisable tax base shall be deemed to be:

(1) the quantity (volume) of the goods expressed in in-kind measurement units, prescribed by Article 88 of the Code, for the excisable goods with respect to which special (constant) rates of excise tax are prescribed by Article 88 of the Code;

(2) the value of the acquisition of goods for excisable goods with respect to which settlement (percentage) rates of excise tax are prescribed by Article 88 of the Code, except for tobacco products, with respect to which the maximum retail price without VAT and excise tax for tobacco products marked on the boxes of tobacco products as

prescribed by the Government of the Republic of Armenia shall be deemed to be an excisable tax base.

4. In case of a transaction on the supply of excisable goods, having the status of EAEU product, exported from the territory of the Republic of Armenia through customs procedure “Export”, as well as exported from the territory of the Republic of Armenia into the EAEU member state, excisable tax base shall be deemed to be:

(1) the quantity (volume) of the goods expressed in in-kind measurement units, prescribed by Article 88 of the Code, for the excisable goods with respect to which special (constant) rates of excise tax are prescribed by Article 88 of the Code;

(2) the customs value calculated as prescribed by the Law of the Republic of Armenia “On customs regulation” for excisable goods with respect to which settlement (percentage) rates are prescribed by Article 88 of the Code.

#### **Article 86. Peculiarities of determining excisable tax base**

1. In case of the transactions on the supply of goods without compensation or compensation at a value significantly lower than its actual value, where settlement (percentage) rates prescribed by Article 88 of the Code are applied with respect to the given goods, 80 percent of the actual value of those transactions shall be deemed to be an excisable tax base. Within the meaning of this part:

(1) a transaction considered to be an excisable object shall be deemed to be performed at a value significantly lower than its actual value, where the compensation value thereof (without excise tax and VAT) is lower by 20 percent and more than the actual value (without excise tax and VAT) of the transaction on the supply of the same goods, and, where it is not available, that of the similar goods, except for:

a. transactions performed through public biddings in cases prescribed by law;

b. transactions on the supply of goods, which are performed by the taxpayer at a lower value equivalent to the amount of the commercial discount referred to in a written act or another legal act adopted previously, and that commercial discount shall be — within the time limit prescribed by the acts referred to in this sub-point — reflected in the settlement documents issued by the taxpayer;

(2) in order to determine the actual value of the transaction in the order of priority, referred to in this point, the following shall be taken as a basis:

a. the excisable tax base, calculated as prescribed by the Code in case of the supply of the same goods by the given taxpayer in comparable circumstances, and in case it is not available — the value, which is taken as a basis for the excisable tax base in case of the provision of the supply of the same goods within business circles in comparable circumstances, or

b. the excisable tax base, calculated as prescribed by the Code in case of the supply of the similar goods by the given taxpayer in comparable circumstances, and in case it is not available — the value, which is taken as a basis for the excisable tax base in cases of the supply of the similar goods within business circles in comparable circumstances.

Within the meaning of this point, the comparable circumstances of the transactions on the supply of the same or similar goods shall be determined from the beginning of the tax year preceding the tax year that includes the day of the performance of the relevant transaction prior to the performance of the relevant transaction based on the transactions on the supply of the same or similar goods.

## **Article 87. Excisable goods**

1. Excisable goods shall be:

(1) ethyl spirit (except for cognac spirit);

- (2) alcoholic beverages;
- (3) beer;
- (4) wine;
- (5) tobacco products (including manufactured tobacco substitutes, cigars, cigarillos);
- (6) lubricating oil;
- (7) petrol;
- (8) diesel fuel;
- (9) crude oil;
- (10) mineral oils;
- (11) oil gases;
- (12) other gas-like hydrocarbons (except for the natural gas that is considered non-compressed);
- (13) compressed natural gas.

Within the meaning of point 13 of this part, compressed natural gas shall be deemed to be natural gas classified under CN FEA 2711 21 commodity items, which is made as a result of gas processing by several stages (purification of mixture, elimination of moisture and other contaminants and compression) without changes in the composition of the natural gas.

#### Article 88. Excise tax rates

1. Excise tax shall be calculated against the tax base of the transactions and operations deemed to be excisable objects, prescribed by Article 84 of the Code, at the following rates:

Product Code according to CN FEA	Name of the product group	Tax base measurement unit	Excise tax rates			
			from 1 January 2018	from 1 January 2019	from 1 January 2020	from 1 January 2021
2207	Ethyl spirit	value — without VAT and excise tax or customs value or value of acquisition or 1 litre (recalculated for 100 percent spirit)	50 percent, but not less than AMD 900 per litre			
2208 (except for 2208 90 330 0 2208 90 380 0 2208 90 480 0 2208 20 2208 30 2208 40)	alcoholic beverages	value — without VAT and excise tax or customs value or value of acquisition or 1 litre	73 percent, but not less than AMD 725 per litre	84 percent, but not less than AMD 835 per litre	96 percent, but not less than AMD 960 per litre	110 percent, but not less than AMD 1 100 per litre
2208 90 330 0 2208 90 380 0 2208 90 480 0	vodka made from fruits and/or berries	value — without VAT and excise tax or customs value or value of acquisition or 1 litre	55 percent, but not less than AMD 550 per litre			
2208 20	cognac, brandy and other alcoholatures	value — without VAT and excise tax or customs value or value of acquisition or 1 litre (recalculated for 100 percent spirit)	50 percent, but not less than:  a. AMD 3 000 per litre including for beverages with ageing period, 1-3 years  b. AMD 3 500 per litre including for beverages with ageing period, 4-5 years  c. AMD 6 000 per litre including for beverages with ageing period, 6-10 years  d. AMD 8 500 per litre including for beverages			

			with ageing period, 11-15 years  e. AMD 14 000 per litre including for beverages with ageing period, 16-19 years  f. AMD 22 000 per litre for beverages with ageing period of twenty or more years			
2208 30 2208 40	brandy, rum and other alcoholatures	value — without VAT and excise tax or customs value or value of acquisition or 1 litre	66 percent, but not less than AMD 3 970 per litre	6 percent, but not less than AMD 4 560 per litre	87 percent, but not less than AMD 5 250 per litre	100 percent, but not less than AMD 6 035 per litre
2203	beer	value — without VAT and excise tax or customs value or value of acquisition or 1 litre	30 percent, but not less than AMD 105 per litre			
2204	grape wine	value — without VAT and excise tax or customs value or value of acquisition or 1 litre	10 percent, but not less than AMD 100 per litre			
2205	vermouth and other grape wines	value — without VAT and excise tax or customs value or value of acquisition or 1 litre	50 percent, but not less than AMD 750 per litre			
2206 (except for 2206 00 390 2206 00 590 2206 00 890)	other fermented beverages (apple cider, perry (pear cider), mead), except for fruit wines, berry wines, fruity wines and wine material	value — without VAT and excise tax or customs value or value of acquisition or 1 litre	25 percent, but not less than AMD 270 per litre			

2206 00 390 2206 00 590 2206 00 890	fruit wines, berry wines, fruity wines and other wines	value — without VAT and excise tax or customs value or value of acquisition or 1 litre	10 percent, but not less than AMD 100 per litre			
2402 (except for 2402 10 00011 2402 90 00011 2402 10 00012 2402 90 00012)	tobacco products	maximum retail price without VAT and excise tax for tobacco products marked as prescribed by the Government of the Republic of Armenia or 1 000 items	15 percent, but not less than AMD 7 275 per 1 000 items	15 percent, but not less than AMD 8 370 per 1 000 items	15 percent, but not less than AMD 9 625 per 1 000 items	15 percent, but not less than AMD 11 070 per 1 000 items
2402 10 00011 2402 90 00011	cigars	1 000 items	AMD 605 000			
2402 10 00012 2402 90 00012	cigarillos	1 000 items	AMD 16 500			
2403	manufactured tobacco substitutes	1 kg	AMD 1 500			
2710 19 710 - 2710 19 980	lubricating oil	value — without VAT and excise tax or customs value or value of acquisition or 1 kg	50 percent, but not less than AMD 400 per kg			
2710 12	petrol	1 tonne	AMD 40 000			
2710 (except for 2710 12 2710 19 710 - 2710 19 980)	diesel fuel	1 tonne	AMD 13 000			
2709	crude oil, mineral oils	1 tonne	AMD 27 000			



2711 (except for 2711 11 2711 21)	oil gases and other gas-like hydrocarbons	1 tonne	AMD 1 000
2711 21	compressed natural gas	1 000 m <sup>3</sup>	AMD 25 000

2. Excise tax rate shall be increased by AMD 7.5 (except for cognac spirit) for each whole percentage point exceeding 40 percent of alcohol concentration in case of goods — classified under 2208 CN FEA code — with alcohol concentration higher than 40 percent, and excise tax of AMD 100 per litre shall be defined for goods with up to 9 percent (inclusive) alcohol concentration.

3. In case of sales (including without compensation) of bottled goods classified under 2207 CN FEA code and of goods classified under 2208 CN FEA code (except for unbottled cognac and unbottled cognac spirit with 40 percent or higher alcohol concentration) by excise taxpayers, as well as organisations and individual entrepreneurs not deemed to be excise taxpayers, the selling price of those goods (including excise tax and value added tax) may not be less than AMD 3 500 per litre recalculated for 100 percent spirit.

4. Organisations and individual entrepreneurs importing, producing and/or packaging cognac classified under 220820 CN FEA code shall be obliged to mark the ageing degree thereof by years on the package of the cognac as prescribed by the Government of the Republic of Armenia. In case of absence of marking on the package with regard to the ageing degree of cognac classified under 220820 CN FEA code, excise tax shall be calculated in the amount not less than the rate prescribed by sub-point “f” of the line of the table of part 1 of this Article that is related to 220820 CN FEA code.

5. Where the sum total of excise tax prescribed for a tonne of petrol and of value added tax calculated as prescribed by Section 4 of the Code is less than AMD 135 000, excise tax shall be increased by an amount necessary to make the sum total of excise tax and VAT for a tonne of petrol equal to AMD 135 000.

## **CHAPTER 18**

### ***EXCISE TAX BENEFITS***

#### **Article 89. Transactions exempt from excise tax**

1. Exemption from excise tax shall be the failure to calculate excise tax against the tax base of the transactions deemed to be excisable tax objects prescribed by Article 84 of the Code.

2. The following transactions, prescribed by Article 84 of the Code, shall be exempt from excise tax:

- (1) supply of excisable goods exported from the territory of the Republic of Armenia through customs procedure “Export”;
- (2) supply of excisable goods, having the status of EAEU product, exported from the territory of the Republic of Armenia into the EAEU member state in case of submitting the document prescribed by part 1 of Article 76 of the Code to the tax authority;
- (3) supply of excisable goods to the organiser of a duty-free shop;
- (4) supply of unbottled cognac with 40 percent or higher alcohol concentration to organisations or individual entrepreneurs producing cognac;
- (5) transfer of the right of ownership over excisable goods to the state or community in the form of confiscation or gift. This point shall not extend to the transactions on alienation of the right of ownership over excisable goods to the state

or community in the form of confiscation, in case of which the transaction is excisable as prescribed by the Code.

## **CHAPTER 19**

### ***EXCISE TAX CALCULATION***

#### **Article 90. Reporting period**

1. Every reporting month shall be deemed to be a reporting period for excise tax calculation and payment.

#### **Article 91. Procedure for calculation of the amount of excise tax subject to payment to the State Budget**

1. Excise taxpayers shall pay the positive difference of the excise tax amounts calculated against the tax base of the transactions, performed during the reporting period, deemed taxable objects prescribed by points 1 and 4 of part 1 of Article 84 of the Code and of the excise tax amounts offset (reduced) as prescribed by Article 92 of the Code (unless otherwise prescribed by Article 93 of the Code) to the State Budget for the reporting period.

#### **Article 92. Procedure for offsets (reductions) of excise tax**

1. Excise tax offsetable (reducible) amounts shall be:

(1) separate excise tax amounts in tax invoices (including in cases, when the date of issuance of the tax invoice is included in any reporting period preceding or following the reporting period, however, the transaction referred to in the tax invoice has been performed (i.e. the date of supply of goods referred to in the tax invoice is included)

during that reporting period)), issued by the suppliers of excisable raw material, acquired during the reporting period in the territory of the Republic of Armenia. Excise tax amounts prescribed by this point shall be offset (reduced):

a. by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of acquiring raw material, where tax invoice, issued by suppliers, pertaining to the relevant transaction has been confirmed by the person acquiring the raw material as prescribed by part 1 of Article 68 of the Code prior to and including the deadline prescribed by part 1 of Article 96 of the Code, for the submission of the unified calculation report of VAT and excise tax;

b. by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of confirming the tax invoice, issued by suppliers pertaining to the relevant transaction, by the person acquiring the raw material as prescribed by part 1 of Article 68 of the Code, where the tax invoice has not been confirmed prior to and including the deadline prescribed by part 1 of Article 96 of the Code, for the submission of the unified calculation report of VAT and excise tax;

(2) excise tax amounts calculated and paid in the manner and amount prescribed by the Code for the excisable raw material imported into the territory of the Republic of Armenia through the customs procedure “Release for domestic consumption”. Excise tax amounts prescribed by this point shall be offset (reduced):

a. by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of the registration of customs declaration of import of raw material;

b. in case of submitting verified customs declaration of import of raw material as prescribed by the EAEU unified customs legislation, by unified calculation report of VAT and excise tax, with respect to the additional excise tax amount subject to offset (reduction), submitted to the tax authority for the reporting period that includes the day of the registration of verified customs declaration of import and the day of the payment

of additional excise tax amounts, and — in case those days are included in different reporting periods — for the reporting period that includes the last of those days;

c. in case of imposing an additional liability with respect to excise tax as a result of post-release checks carried out by the tax authority on import of raw material, by unified calculation report of VAT and excise tax, in the excise tax amount paid, submitted to the tax authority for the reporting period that includes the day of the fulfilment of that liability (including partial);

(3) excise tax amounts calculated and paid in the manner and amount prescribed by the Code for the excisable raw materials, having the status of EAEU product, imported into the Republic of Armenia from the EAEU member states. Excise tax amounts prescribed by this point shall be offset (reduced):

a. by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of importing the raw materials into the territory of the Republic of Armenia (crossing the state border of the Republic of Armenia), where the tax declaration of import of raw material has been submitted to the tax authority and excise tax amounts with respect to import have been paid prior to and including the deadline, prescribed by part 1 of Article 96 of the Code, for the submission of the unified calculation report of VAT and excise tax for the reporting period that includes the day of importing the raw materials into the territory of the Republic of Armenia (crossing the state border of the Republic of Armenia);

b. by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of the submission of tax declaration of import of raw material to the tax authority and the day of the payment of excise tax amounts, and — in case those days are included in different reporting periods — for the reporting period that includes the last of those days, where the tax declaration of import of raw material has not been submitted to the tax authority and/or excise tax amounts with respect to import have not been paid prior to and including the

deadline, prescribed by part 1 of Article 96 of the Code, for the submission of the unified calculation report of VAT and excise tax;

c. in case of submitting verified tax declaration of import of raw material as prescribed by the EAEU unified customs legislation or the Code, by unified calculation report of VAT and excise tax, with respect to the additional excise tax amount subject to offset (reduction), submitted to the tax authority for the reporting period that includes the day of the submission of verified tax declaration of import and the day of the payment of additional excise tax amounts, and — in case those days are included in different reporting periods — for the reporting period that includes the last of those days;

d. in case of imposing an additional liability with respect to excise tax on the import of raw material as a result of the inspection carried out by the tax authority, by unified calculation report of VAT and excise tax, in the additional excise tax amount paid, submitted to the tax authority for the reporting period that includes the day of the fulfilment of that liability (including partial).

### **Article 93. Restrictions on offsets (reductions)**

1. For the purposes of calculation of excise tax amounts subject to payment to the State Budget or subject to compensation from the State Budget as prescribed by Articles 91 and 95 of the Code, excise tax offsets (reductions) shall not be made:

(1) by those who are not considered excise taxpayers;

(2) where the acquired and/or imported excisable raw material is attributed to the transactions exempt from excise tax, except for cases prescribed by points 1-3 of part 2 of Article 89 of the Code;

(3) where the tax invoice is considered a paper-transfer document pursuant to point 55 of part 1 of Article 4 of the Code;

(4) where the transaction pertaining to the tax invoice has been declared invalid pursuant to Article 41 of the Code.

**Article 94. Procedure for reformulation of liabilities and offsets  
(reductions)**

1. In case of loss of excisable raw material acquired by excise taxpayers, excise tax amounts pertaining to that raw material shall not be subject to offset (reduction), where those losses shall not be subject to deduction from gross income for the purpose of taxation pursuant to Section 6 of the Code. Pursuant to Section 6 of the Code in case the value of loss is determined on annual basis, the offsetable (reducible) excise tax amount calculated more as compared with the annual norm of loss within each reporting period of excise tax shall be recalculated based on annual results during the last reporting period of excise tax of the given year, considering the difference as a reduction of excise tax offsetable (reducible) amount during the last reporting period.

2. Where separate excise tax amounts in customs or tax declaration of import submitted previously by the verified customs or tax declaration of import of excisable raw material (including that imported from EAEU member states), submitted as prescribed by the EAEU unified customs legislation or the Code, decrease, the difference of separate excise tax amounts in customs or tax declaration of import and in verified customs or tax declaration of import shall be deducted from excise tax amounts subject to offset (reduction) by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of the registration or submission to the tax authority of the verified customs or tax declaration of import.

3. Where separate excise tax amounts in customs declaration of import decrease as a result of post-release checks carried out by the tax authority on import of excisable raw materials, the decreased part of separate excise tax amounts in customs

declaration of import shall be deducted from excise tax amounts subject to offset (reduction) by unified calculation report of VAT and excise tax submitted to the tax authority for the reporting period that includes the day of drawing up an act of post-release checks.

4. With respect to excise tax amounts offset (reduced), failure to make reformulations (deductions) in the cases and manner prescribed by this Article shall be deemed an under-reporting of tax amount in the tax calculation report within the meaning of Article 403 of the Code.

**Article 95. Procedure for calculation of the amount of excise tax subject to compensation from the State Budget**

1. Excise tax amount subject to compensation from the State Budget to the excise taxpayers due to the results of the activities carried out during the reporting period shall be calculated as the negative difference (hereinafter referred to as “excise tax recoverable amount”) of the excise tax amount calculated against the tax base of transactions deemed taxable objects, performed during that period and prescribed by points 1 and 4 of part 1 of Article 84 of the Code and of the excise tax amounts offset (reduced) as prescribed by Article 92 of the Code (unless otherwise prescribed by Article 93 of the Code).

2. Excise tax recoverable amount generated based on the results of the activities carried out during the reporting period shall be directed to repayment of excise tax amounts, subject to payment to the State Budget, generated by unified calculation reports of VAT and excise tax based on the results of the activities carried out during the reporting periods, as well as of additional excise tax amounts recorded as a result of inspections or examinations carried out by the tax authority as prescribed by Section 17 of the Code, except for cases prescribed by part 3 of this Article.



3. In case of performing transactions and operations prescribed by points 1-3 of part 2 of Article 89 of the Code, where an excise taxpayer possesses excise tax recoverable amount, the excise tax recoverable amount shall be credited to a unified account ▯ — based on a written application of the excise taxpayer — in case it is substantiated by the results of inspection or examination carried out as prescribed by Section 17 of the Code.

**Article 96.            Submission of unified calculation reports of VAT and excise tax**

1. Excise taxpayers shall submit unified calculation reports of VAT and excise tax to the tax authority as prescribed by Article 53 of the Code, prior to and including the twentieth day of the month following each reporting period, except for cases prescribed by part 2 of this Article.

2. Excise taxpayers shall not submit unified calculation reports of VAT and excise tax with respect to taxable objects prescribed by points 2 and/or 3 of part 1 of Article 84 of the Code.

**Article 97.            Exemption of transactions on supply of excisable goods exported to EAEU member states from excise tax**

1. Exemption from excise tax of transactions on supply of excisable goods having the status of EAEU product, exported to EAEU member states from the territory of the Republic of Armenia shall be substantiated on the day of the submission of the tax declaration of export to the tax authority by an exporter.

2. In case the export of excisable goods to EAEU member states from the territory of the Republic of Armenia is carried out based on delegation, commission or agency contracts, by the delegatee, commission agent or agent respectively, and the tax

declaration of export prescribed by part 1 of this Article is submitted to the tax authority by the delegatee, commission agent or agent respectively, the exemption of transactions on supply of exported goods from excise tax by the delegator, commission principal or principal, respectively, may be substantiated, where the fact of export of goods of the exporter is substantiated by the delegatee, commission agent or agent by relevant settlement documents.

**Article 98. Documents submitted to the tax authority in case of importing excisable goods from EAEU member states**

1. In case of import of excisable goods, having the status of EAEU product, into the territory of the Republic of Armenia from the EAEU member states (including the cases prescribed by part 4 of Article 83 of the Code) the taxpayer shall be obliged to — prior to and including the twentieth day of the month following the month that includes the day of import of goods into the territory of the Republic of Armenia (crossing the state border of the Republic of Armenia) — submit the documents prescribed by part 1 of Article 77 of the Code to the tax authority.

2. In case the excisable goods, having the status of EAEU product, are imported into the territory of the Republic of Armenia from the EAEU member states based on delegation, commission or agency contracts by the delegatee, commission agent or agent respectively, or by a permanent establishment of the resident of another EAEU member state located in the Republic of Armenia or by a participant of the fair organised in the Republic of Armenia, the documents prescribed by part 1 of Article 77 of the Code shall be submitted to the tax authority by the delegatee, commission agent or agent respectively or by a permanent establishment of the resident of another EAEU member state located in the Republic of Armenia or by the organiser of the fair organised in the Republic of Armenia — prior to and including the twentieth day of

the month following the month that includes the day of the alienation of the goods or a part thereof to the buyer.

3. In case the right of ownership over the excisable goods, having the status of EAEU product, imported by the buyer into the Republic of Armenia from the EAEU member states, is transferred to the buyer in the territory of the Republic of Armenia, the buyer shall submit the documents prescribed by part 1 of Article 77 of the Code to the tax authority prior to and including the twentieth day of the month following the month that includes the day of the transfer of the right of ownership over the goods to the buyer.

## **CHAPTER 20**

### ***PROCEDURE FOR PAYING, REFUNDING AND CREDITING EXCISE TAX AMOUNT TO UNIFIED ACCOUNT***

#### **Article 99. Payment of excise tax amount**

1. Excise taxpayers shall pay to the State Budget excise tax amounts, calculated as prescribed by Article 91 of the Code, subject to payment to the State Budget, in the form of amounts paid to the tax authority prior to and including the twentieth day of the month following each reporting period.

2. Excise tax amounts calculated as prescribed by the Code for excisable goods imported into the Republic of Armenia through the customs procedure “Release for domestic consumption” shall be paid to the State Budget of the Republic of Armenia in the form of amounts paid to the tax authority before the release of goods through the customs procedure “Release for domestic consumption” (unless other time limit is prescribed by the EAEU unified legislation).

3. Excise tax amounts calculated as prescribed by the Code for excisable goods, having the status of EAEU product, imported into the Republic of Armenia from the EAEU member states shall be paid to the State Budget of the Republic of Armenia in the form of amounts paid to the tax authority prior to and including the twentieth day of the month following the month that includes the day of import of goods into the territory of the Republic of Armenia (crossing the state border of the Republic of Armenia), except for excisable goods, having the status of EAEU product, imported into the Republic of Armenia from the EAEU member states, subject to stamping with excise stamps, for which the excise tax amounts calculated as prescribed by the Code shall be paid to the State Budget of the Republic of Armenia in the form of amounts paid to the tax authority within the time limit prescribed by part 2 of this Article.

4. In cases prescribed by part 2 of Article 98 of the Code, the excise tax amounts calculated as prescribed by the Code shall be paid to the State Budget of the Republic of Armenia in the form of amounts paid to the tax authority by the delegatee, commission agent or agent or by a permanent establishment of the resident of another EAEU member state located in the Republic of Armenia or the organiser of the fair organised in the Republic of Armenia prior to and including the twentieth day of the month following the month that includes the day of the alienation of the goods to the buyer by the delegatee, commission agent or agent, respectively, or by a permanent establishment of the resident of another EAEU member state located in the Republic of Armenia or the participant of the fair organised in the Republic of Armenia.

5. In cases prescribed by part 3 of Article 98 of the Code, the excise tax amounts calculated as prescribed by the Code shall be paid to the State Budget of the Republic of Armenia by the buyer in the form of amounts paid to the tax authority prior to and including the twentieth day of the month following the month that includes the day of the transfer of the right of ownership over the goods to the buyer.

**Article 100.            Crediting excise tax amount to unified account**

1. In cases prescribed by part 3 of Article 95 the Code, the excise tax recoverable amounts shall be credited to the unified account in the manner and within the time limits prescribed by the Code with regard to tax administration.
2. The excise tax amounts paid in excess of the amount prescribed by the Code shall be credited to the unified account in the manner and within the time limits prescribed by the Code with regard to tax administration.

**Article 101.            Compensation for excise tax amount**

1. Excise tax amounts paid with respect to the goods classified under 2710 19 710 - 2710 19 980 codes of CN FEA (except for motor oils classified under 2710 19 820 code of CN FEA), acquired by the industrial organisations, shall be compensated to those organisations in the manner and within the time limits prescribed by the Government of the Republic of Armenia.
2. Excise tax amounts paid in case of exporting excisable goods from the territory of the Republic of Armenia, through the customs procedure “Export”, acquired by the resident organisation, the individual entrepreneur or the permanent establishment from the producers or the packagers in the territory of the Republic of Armenia, as well as in case of exporting excisable goods, having the status of EAEU product, from the Republic of Armenia into the EAEU member states, shall be compensated in the manner and within the time limits prescribed by the Government of the Republic of Armenia.

## **SECTION 6**

### **PROFIT TAX**

#### **CHAPTER 21**

##### ***PROFIT TAX AND TAXPAYERS***

###### **Article 102. Profit tax**

1. Profit tax is a state tax paid to the State Budget in the manner, amount and within the time limits prescribed by the Code for a taxable object prescribed by Article 104 of the Code.

###### **Article 103. Profit taxpayers**

1. Profit taxpayers shall be:

- (1) resident organisations, except for cases prescribed by part 2 of this Article;
- (2) the following entities record-registered in the Republic of Armenia:
  - a. individual entrepreneurs;
  - b. notaries;
- (3) contractual investment funds (except for pension funds and guarantee funds), which are record-registered and have registered their rules in the Republic of Armenia;
- (4) non-resident organisations, as well as non-resident natural persons carrying out activities in the Republic of Armenia through a permanent establishment and/or deriving income from the sources of the Republic of Armenia through a permanent establishment.

2. Notwithstanding provisions of point 1 of part 1 of this Article, profit taxpayers shall not be:

- (1) the Republic of Armenia represented by state administration offices;
- (2) the communities of the Republic of Armenia represented by community administration offices;
- (3) the Central Bank of the Republic of Armenia;
- (4) the diplomatic representations and consular offices accredited in the Republic of Armenia, international organisations equivalent thereto.

## **CHAPTER 22**

### ***OBJECT TO BE TAXED UNDER PROFIT TAX, TAX BASE AND TAX RATE***

#### **Article 104.        Object to be taxed under profit tax**

1. Objects to be taxed under profit tax shall be:

- (1) for resident organisations, individual entrepreneurs record-registered in the Republic of Armenia and notaries (hereinafter referred to as “resident profit taxpayers”) — gross income derived or to be derived (hereinafter referred to as “derived” in this Section) from sources of and/or outside the Republic of Armenia, except for personal income of individual entrepreneurs registered in the Republic of Armenia and notaries;
- (2) for investment funds (except for pension funds and guarantee funds) which are record-registered and have registered their rules in the Republic of Armenia, as well as for securitisation fund established on the basis of the Law of the Republic of Armenia “On asset securitisation and asset backed securities” — total net assets;

(3) for non-resident organisations, as well as non-resident natural persons carrying out activities in the Republic of Armenia through permanent establishment and/or deriving income from the sources of the Republic of Armenia through permanent establishment (hereinafter referred to as “non-resident profit taxpayers”) — gross income derived from the sources of the Republic of Armenia, except for personal income derived from the sources of the Republic of Armenia of non-resident natural persons carrying out activities in the Republic of Armenia through permanent establishment and/or deriving income from the sources of the Republic of Armenia through permanent establishment.

#### **Article 105. Profit tax base**

1. Profit tax base shall be:

(1) for resident profit taxpayers — taxable profit, which is determined as a positive difference of the gross income prescribed by point 1 of part 1 of Article 104 of the Code and deductions prescribed by Article 110 of the Code;

(2) for investment funds (except for pension funds and guarantee funds) which are record-registered and have registered their rules in the Republic of Armenia, as well as for securitisation fund established on the basis of the Law of the Republic of Armenia “On asset securitisation and asset backed securities” — total net assets, which is determined in accordance with the procedure defined by the Central Bank of the Republic of Armenia and agreed upon with the tax authority. Within the meaning of this point, the dividends or other amounts distributed in any similar way from the assets of the investment fund to the participants of the investment fund shall not be deducted from the net assets of the investment fund;

(3) for non-resident organisations and non-resident natural persons carrying out activities in the Republic of Armenia through a permanent establishment and/or deriving income from the sources of the Republic of Armenia through a permanent



establishment (hereinafter referred to as “non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment” in this Section) — taxable profit, which is determined as a positive difference of the gross income prescribed by point 3 of part 1 of Article 104 of the Code and deductions prescribed by Article 110 of the Code, taking into account peculiarities prescribed by Article 133 of the Code;

(4) for non-resident organisations carrying out activities in the Republic of Armenia without a permanent establishment and/or deriving income from the sources of the Republic of Armenia without a permanent establishment (hereinafter referred to as “non-resident profit taxpayers carrying out activities in the Republic of Armenia without a permanent establishment”) — gross income prescribed by point 3 of part 1 of Article 104 of the Code;

(5) with regard to the activities not attributable to a permanent establishment and/or the income of non-resident organisations carrying out activities in the Republic of Armenia through a permanent establishment — gross income prescribed by point 3 of part 1 of Article 104 of the Code.

#### **Article 106. Principles of the determination of profit tax base**

1. While determining the profit tax base:

(1) accounting shall be conducted based on the principles and rules prescribed by laws and other legal acts regulating accounting and the drawing up of financial statements, unless peculiarities of the application thereof are prescribed by this Section of the Code and the general part of the Code;

(2) assets and liabilities shall be taken into account at their initial value, except for assets and liabilities re-evaluated as prescribed by law, which are considered at their re-evaluated value. Within the meaning of this point, assets and/or liabilities shall be

deemed re-evaluated as prescribed by law, where the re-valuation was conducted in accordance with the law, which prescribes that re-valuation of assets and/or liabilities shall be conducted for the purpose of the determination of profit tax base or the calculation of profit tax;

(3) after the acquisition of acquired assets, the adjustments (increase or deduction) of VAT amounts subject to offset (reduction) in accordance with parts 2 and 4 of Article 73 of the Code, shall not alter the initial or book value of those assets;

(4) with regard to deficit of assets revealed as a result of tax control, increase or deduction of tax base shall not be made;

(5) only income and deductions generated due to the creation of reserves prescribed by the Code shall be taken into account.

#### **Article 107. Sources of income**

1. Income derived from the sources of the Republic of Armenia shall be:

(1) entrepreneurial income in cases prescribed by part 2 of this Article;

(2) passive income in cases prescribed by part 3 of this Article.

Incomes referred to in points 1 and 2 of this part shall also include:

(1) income from the provision of services by a non-resident outside the territory of the Republic of Armenia to a resident profit taxpayer or a non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, in cases prescribed by part 4 of this Article;

(2) income prescribed by part 4 of Article 109 of the Code;

(3) other incomes prescribed by part 5 of this Article.

2. For the purposes of point 1 of part 1 of this Article, entrepreneurial income shall be deemed income derived from the sources of the Republic of Armenia, where:

(1) the place of delivery of goods is the Republic of Armenia in accordance with Article 37 of the Code;

(2) the work has actually been performed or the service has actually been provided within the territory of the Republic of Armenia, notwithstanding the provisions of Article 39 of the Code. In particular, within the meaning of this Section, the work shall be deemed to be actually performed or the service to be actually provided within the territory of the Republic of Armenia, where:

a. the preparation and implementation of construction (including exploration, development, design, installation, architectural and technical supervision), repair, restoration and landscaping of immovable property, as well as works performed and services provided by agents and experts on purchase and sales of immovable property (including services on valuation of immovable property) are directly connected to the immovable property located or constructed within the territory of the Republic of Armenia;

b. service on transportation of cargo and/or passengers (except for postal service and service on transportation of cargo and/or passengers by air) is actually provided within the territory of the Republic of Armenia. In case when only a part of service on transportation of cargo and/or passengers is actually provided within the territory of the Republic of Armenia, and compensation for the service actually provided within the territory of the Republic of Armenia is separated in the settlement documents concerning the contract on the provision of service, only income corresponding to that part shall be deemed income received from the sources of the Republic of Armenia. Within the meaning of this sub-point, the compensation for the service actually provided within the territory of the Republic of Armenia shall be deemed to be separated in the settlement documents concerning the contract on the provision of

service, where the compensation for the service on transportation of cargo and/or passengers from the border settlement area (including that located within the territory of the neighbour state) to the point of destination (or vice versa) within the territory of the Republic of Armenia is separately presented in those documents. Within the meaning of this sub-point, transportation service shall also mean the intermediary activities of organising transportation of cargo and/or passengers through (by involving) other organisations and/or natural persons;

c. postal service or service on transportation of cargo and/or passengers by air is actually provided within the territory of the Republic of Armenia. In case when only a part of postal service or service on transportation of cargo and/or passengers by air is actually provided within the territory of the Republic of Armenia and the volume of the service — expressed in relevant measurement units — actually provided within the territory of the Republic of Armenia is separated in the statement issued by the competent authority of the Government of the Republic of Armenia, the income to be received from the sources of the Republic of Armenia shall be determined by the product of the total compensation for the service and the portion of the volume of the service actually provided within the territory of the Republic of Armenia in the total volume of the service, except for cases prescribed by sub-point “e” of this point;

d. at the time of carrying out packaging, loading, unloading, accompanying of goods and other similar works performance and/or provision of services directly related to the services prescribed by sub-points “b” and “c” of this point, the products have actually been within the territory of the Republic of Armenia;

e. postal service starts within the territory of the Republic of Armenia (in case postal service started within the territory of the Republic of Armenia ends outside the territory of the Republic of Armenia, the whole amount of compensation for the contract shall be deemed income received from the sources located within the territory of the Republic of Armenia, notwithstanding the fact that compensation for

service actually provided within the territory of the Republic of Armenia is separated in the settlement documents concerning the contract on the provision of service);

f. telecommunication services were provided by telecommunication operators, by using telecommunication facilities located and/or registered within the territory of the Republic of Armenia;

g. information is delivered from a postal address within the territory of the Republic of Armenia and/or to a postal address within the territory of the Republic of Armenia;

h. preparation and/or dissemination of advertisement is carried out within the territory of the Republic of Armenia;

i. the person being provided audit service is registered or record-registered in the Republic of Armenia in a manner prescribed by law;

(3) the income was derived from intermediary activities carried out within the territory of the Republic of Armenia;

(4) the income was derived by non-resident profit taxpayer for the provision of management, financial or insurance services to its permanent establishment in the Republic of Armenia.

Where the nature of works performed or services provided by a non-resident profit taxpayer does not allow to separate the part of works performed or services provided within the territory of the Republic of Armenia or the income cannot be attributed to the sources located outside the territory of the Republic of Armenia, income derived from the performance of such works or the provision of such services shall be deemed fully derived from the sources of the Republic of Armenia.

3. For the purposes of point 2 of part 1 of this Article, passive income shall be deemed income derived from the sources of the Republic of Armenia, where:

(1) dividends are received from participation in the authorised or share capital of a resident organisation (stock, share, unit) or joint activity prescribed by Chapter 5 of the Code;

(2) interests are received from a resident organisation or a permanent establishment or a natural person who is a citizen of the Republic of Armenia (including individual entrepreneurs, notaries);

(3) royalties are received from a resident organisation or a permanent establishment or a natural person who is a citizen of the Republic of Armenia (including individual entrepreneurs, notaries);

(4) rental or servitude payment is received:

a. against granting the right to possess and/or use an immoveable property located within the territory of the Republic of Armenia;

b. against granting the right to possess and/or use such movable property (except for aircraft), which is registered (subject to registration) in the Republic of Armenia throughout the term of the rent contract as prescribed by the legislation of the Republic of Armenia or which is located within the territory of the Republic of Armenia at the time of concluding the rent contract;

(5) the capital gain (except on stocks and other investment securities) of a non-resident profit taxpayer is generated from the alienation of assets within the territory of the Republic of Armenia (except for cases when the capital gain is a result of entrepreneurial activity of a permanent establishment); whereas in case of stocks and other investment securities, where the capital gain is generated from the alienation of stocks of a resident organisation or of other investment securities issued by that organisation. Moreover:

a. in case of availability of the documents confirming the fact of import, transfer of the assets into the Republic of Armenia and/or their placement in the Republic of

Armenia, the initial value of assets shall be determined taking into account the value specified in the documents related to their import (customs declaration of import or tax declaration of import), in the settlement documents related to transfer and/or placement thereof, where the settlement documents on the purchase of assets prescribed by sub-point “b” of this point are not available;

b. in case of availability of the settlement documents confirming the fact of purchase of assets, the initial value of assets shall be determined taking into account the value specified in the settlement documents related to their purchase, transfer and/or placement;

c. in case of alienation of assets subject to depreciation or amortisation (hereinafter referred to as “amortisation”), the capital gain generated from their alienation shall be calculated taking into account their book value at the time of alienation, based on the document issued by the alienator;

d. in case of alienation of assets re-evaluated as prescribed by law, the capital gain generated from their alienation shall be calculated taking into account their re-evaluated value, where the results of that re-evaluation are taken into account while determining the profit tax base or the profit tax;

e. in case of foreign currency exchange, the capital gain shall be calculated as a positive difference of funds received in AMD and the foreign currency amount paid against them, recalculated in AMD at average exchange rate established in currency markets and published by the Central Bank of the Republic of Armenia;

f. with regard to assets alienated by a non-resident, in case the documents specified in sub-points “a”, “b” and “c” of this point are not available, the capital gain shall be deemed the total value of the assets alienated by a non-resident;

(6) other passive incomes are received from a resident organisation or a permanent establishment or a natural person who is a citizen of the Republic of Armenia (including individual entrepreneurs, notaries).

4. For the purposes of point 1 of the second paragraph of part 1 of this Article, income from the provision of services by a non-resident outside the territory of the Republic of Armenia to a resident profit taxpayer or a non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, shall be deemed income derived from the sources of the Republic of Armenia, where such income is derived from the provision of consultancy, legal, accounting, management, expert, marketing, advertising, translation, engineering and other similar services.

5. For purposes of point 3 of the second paragraph of part 1 of this Article, other incomes not specified in parts 2-4 of this Article shall be deemed incomes derived from the sources of the Republic of Armenia, where they are derived from a resident organisation or a permanent establishment or a natural person who is a citizen of the Republic of Armenia (including individual entrepreneurs, notaries), except for cases prescribed by the second paragraph of this part.

Where other income specified in this part cannot be attributed to the sources located outside the territory of the Republic of Armenia, the income shall be deemed fully derived from the sources of the Republic of Armenia.

6. Incomes, which are not deemed incomes derived from the sources of the Republic of Armenia according to parts 1-5 of this Article, shall be deemed incomes derived from the sources outside the Republic of Armenia.

#### **Article 108. Items not deemed income**

1. For the purpose of determination of profit tax base, the following items shall not be deemed income for profit taxpayers:

(1) investment in the authorised capital (fund) of the profit taxpayer made by the participants (shareholders, equity holders, members), as well as other investment in



other items of the own capital of the profit taxpayer made by the participants (shareholders, equity holders, members) for the purpose of repayment of the tax loss of the previous tax years — in the amount not exceeding the tax loss of the previous tax years;

(2) in case of a decision on liquidation of the profit taxpayer — investments made by the participants (shareholders, equity holders, members) in the own capital of the profit taxpayer;

(3) positive difference of the offering price and the nominal value of stocks, shares or units of a profit taxpayer;

(4) the positive difference of the sales price of stocks, shares or units repurchased by a profit taxpayer and the book value thereof where such stocks, shares or units have been repurchased in accordance with the requirements of law;

(5) in case of liquidation of another organisation, positive difference of the residual property value received for stocks, shares or units owned in that organisation by the profit taxpayer and the book value of the stocks shares or units;

(6) goods received, works accepted and/or services received, as an investment made in joint activity, by the reporting participant of joint activity from a participant of joint activity, where the transactions specified in this point are carried out by the reporting participant after the submission of the declaration prescribed by Article 32 of the Code;

(7) positive result of re-evaluation of assets, including foreign currency, other assets expressed in foreign currency, as well as assets expressed in bank gold and other precious metals;

(8) negative result of re-evaluation of liabilities, including liabilities expressed in foreign currency, as well as liabilities expressed in bank gold and other precious metals;

- (9) amounts of tax benefits and of benefits with respect to fees;
- (10) amounts provided from the state or community budget directed to the fulfilment of tax liabilities;
- (11) assets (including participation fees), works and services received without compensation by non-commercial organisations;
- (12) in case of liquidation of a taxpayer — the amount of tax liability of up to AMD 1 000;
- (13) incomes received from the securities proving the participation in the investment funds (including from their alienation, exchange, other similar transactions, distribution of dividends or other distributions carried out in a similar way, as well as from transactions performed based on the assets of the contractual investment funds);
- (14) in case of delaying the refund of the amounts on the unified account for more than 90 days from the term prescribed by Article 327 of the Code — fines accrued in favour of a taxpayer for each delayed day following that term;
- (15) incomes derived from the activity of casinos, gambling games and/or organising internet gambling games;
- (16) the compensation amounts received from the entity having an electric energy distribution license of an autonomous energy producer using renewable energy resources, as well as the compensations received in the form of electric energy for the electric energy supplied to the entity having electric energy distribution license by an autonomous energy producer using renewable energy resources in case of equal reciprocal flows;
- (17) funded contributions made from the State Budget of the Republic of Armenia for (in favour of) the individual entrepreneur or a notary within the framework of the funded component of the pension system of the Republic of Armenia.

2. For the purpose of determination of profit tax base, the following items shall also not be deemed income for non-resident profit taxpayers:

(1) incomes derived from the foreign economic activity. The following shall be deemed a foreign economic activity:

a. supply of goods by a non-resident to a resident profit taxpayer, where it is substantiated by the import documents (including by tax declaration of import or customs declaration of import) that import was carried out on behalf of the resident profit taxpayer irrespective of the fact of transfer of the right of ownership over the goods in the territory of the Republic of Armenia;

b. carrying out packaging, loading, transportation, unloading, accompanying, insurance of goods and other similar works performance and/or provision of services directly related to the transaction on supply of goods prescribed by sub-point “a” of this point, where such works have been performed and/or the services have been provided by a non-resident supplier, pursuant to the contract on supply of goods;

c. supply of goods by a non-resident profit taxpayer to a resident outside the territory of the Republic of Armenia or to another non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment.

#### **Article 109. Peculiarities of record-keeping of certain types of income**

1. For the purpose of determination of profit tax base:

(1) income derived from the alienation of buildings, constructions (including unfinished and semi-constructed), residential or other premises, land parcels, shall be calculated in the amount not less than the immovable property tax base determined as prescribed by Article 228 of the Code. In case of compensation (without VAT) less than that amount, the positive difference of the immovable property tax base and the amount of actual compensation (without VAT) shall be included in the income of the

new owner, as of the day of the performance of the transaction, as a released liability, except for cases, where the alienator is an individual entrepreneur and a natural person not deemed a notary, which will not give rise to a released liability for the new owner;

(2) the income with respect to transactions on transfer for lease or for gratuitous use of buildings, constructions (including unfinished, semi-constructed), residential or other premises, land parcels shall be calculated in an amount not less than 2.5 percent of the immovable property tax base prescribed by Article 228 of the Code, and in case of the absence thereof — of the tax base corresponding to the portion of the area transferred for lease or for gratuitous use in the total area of the immovable property taxable object, calculated on an annual basis. In case of compensation (without VAT) less than that amount, the positive difference of 2.5 percent of the immovable property tax base, and in case of the absence thereof — of the tax base corresponding to the portion of the area transferred for lease or for gratuitous use in the total area of the immovable property taxable object and of the amount of actual rental (without VAT) shall be included in the income of the lessee or borrower, as of the date prescribed by point 4 of part 3 this Article, as a released liability, except for cases, where the lessor or lender is an individual entrepreneur and a natural person not deemed a notary, which will not give rise to a released liability for the lessee or borrower.

During the reporting period, in case of the provision of the property for lease or for gratuitous use prescribed by this point and/or termination of the right to lease or to gratuitous use of that property, the income with respect to the mentioned transactions during the reporting period shall be calculated as a product of the income prescribed by the first paragraph of this point and the portion of the days of the provision of the property for lease or for gratuitous use during the reporting period in the days included in the reporting period.

Provisions of this part shall not apply, where the state or the community is a party to a transaction, prescribed by this part, on alienation or provision for lease or for gratuitous use of the property units (except for cases when the transaction is performed through another organisation).

2. The income derived from the provision of intermediary services (the provision of services based on delegation, commission or agency contracts) shall be determined by the sum total of the remuneration of the delegatee, commission agent or agent and the remuneration to be received, as compensation, for the expenses incurred by them in their name.

3. The right to receive income within the framework of the application of accrual basis accounting method prescribed by part 1 of Article 15 of the Code shall be deemed acquired, where the relevant amount is subject to unconditional payment (compensation) to the profit taxpayer (except for non-resident profit taxpayer carrying out activities in the Republic of Armenia without a permanent establishment) or the profit taxpayer (except for non-resident profit taxpayer carrying out activities in the Republic of Armenia without a permanent establishment) has fulfilled the obligations deriving from the transaction or the contract, even if the moment of the fulfilment of that right has been postponed or the fees are made in instalments. In particular:

(1) the right to receive income from supply of goods shall be deemed acquired at the moment of supply of goods prescribed by Article 38 of the Code;

(2) the right to receive income from performance of work and/or provision of service shall be deemed acquired at the moment of performance of work and/or provision of service prescribed by Article 40 of the Code;

(3) the right to receive income in the form of interests shall be deemed acquired from the maturity date of the acquired debt; Where the maturity of debt includes several reporting periods, incomes in the form of interests with respect to debt shall be accrued according to those reporting periods;

(4) the right to receive income in the form of rental shall be deemed acquired from the point of expiry of the term of the acquired lease contract. Where the expiry of the term of the lease contract includes several reporting periods, incomes in the form of rentals shall be accrued according to those reporting periods;

(5) the right to receive income in the form of dividends shall be deemed acquired on the day when the general meeting of shareholders (equity holders) renders a decision on distribution of dividends from the profit generated from the activities carried out during the reporting year, but not later than by thirtieth of June of the tax year following the reporting year inclusive.

4. For the purpose of determination of profit tax base, the following items shall also be deemed income for profit taxpayers:

(1) assets of commercial organisations received without compensation. In case prescribed by this Point:

a. assets (except for funds and land parcels) shall be deemed income in a tax year when they are declared as expense or loss despite the fact of deducting that expense or loss from the gross income;

b. the funds shall be deemed income in the tax year they are received, except for the target funds received within the framework of the state funded projects, which are deemed income in the tax year, when the given funds or the assets acquired, constructed, created or developed by those funds are declared as expense despite the fact of deducting that expense from the gross income. The target funds received as compensation for already incurred expenses or caused damages within the framework of state funded projects shall be deemed income in the tax year they are received;

c. land parcels shall be deemed income during ten tax years, including the year they are received — in equal proportions in each tax year. Where the land parcel received without compensation within the period prescribed by this sub-point is alienated, the

part of the land parcel's value not yet been deemed income, shall be deemed income in the tax year the land parcel is alienated;

d. unless otherwise prescribed by sub-point “e” of this point, the initial values of assets shall be determined on the basis of values specified in documents concerning the transactions on their purchase, and in case no value is specified in those documents — based on market value determined through expert examination initiated by the profit taxpayer receiving those assets;

e. initial values of buildings, constructions (including unfinished or semi-finished), residential and other premises, land parcels shall be determined in the amount not less than the immoveable property tax base determined as prescribed by Article 228 of the Code;

(2) assets received from a participant of the joint activity by the reporting participant of the joint activity as an investment made in joint activity, where they are received before the submission by the reporting participant of the declaration prescribed by Article 32 of the Code. Assets prescribed by this point:

a. shall be deemed income as prescribed by sub-points “a”, “b” and “c” of point 1 of this part;

b. initial values of assets shall be determined pursuant to the contract on joint activity prescribed by Article 31 of the Code, and in case no investment value is provided for by the contract on joint activity — based on market value determined through expert examination initiated by the reporting participant;

(3) assets recognised ownerless based on the court decisions and transferred to a profit taxpayer by the property right. Assets prescribed by this point shall be deemed income in the manner and amount prescribed by point 1 of his part;

(4) ownerless assets in case of the recognition by the profit taxpayer of his/her rights to ownerless assets as prescribed by the legislation (except for those based on court decisions). As prescribed by this Point:

a. assets shall be deemed income in the tax year when the rights of the profit taxpayer to those assets are recognised;

b. initial values of assets shall be determined in the amount equal to the value of the same assets owned by the profit taxpayer receiving those assets, and, in case such assets are not available, in the amount equal to the value of similar assets, and, in case such assets are not available, based on market value determined through expert examination initiated by the profit taxpayer receiving those assets;

(5) the surplus of the property identified during the inventory taking as a basis the initial value of that property. Within the meaning of this point, the surplus of the property identified during the inventory shall be deemed the property which is not in any way recorded by the profit taxpayer and at the same time, there are no documents substantiating that the property belongs to the profit taxpayer or other organisation or other natural person by the right of ownership, except for cases when the profit taxpayer uses the property based on the contract for lease or for gratuitous use. In case prescribed by this Point:

a. property shall be deemed income in the tax year it is identified;

b. initial value of the property shall be determined in the amount equal to the value of the same property owned by the profit taxpayer receiving it, and, in case such property is not available, in the amount equal to the value of similar property, and, in case such property is not available, based on market value determined through expert examination initiated by the profit taxpayer receiving it;

(6) incomes derived from full or partial discount or release of actually arisen (current) liabilities between the parties, except for amounts of tax benefits and of benefits with respect to fees. Within the meaning of this point, no income shall be



generated from the discount of liability, where the value of the transaction between the parties is discounted prior to the moment of actual arise of the liabilities of the parties;

(7) insurance compensations;

(8) other incomes received from the compensation for the damage caused (loss incurred);

(9) income in the form of fines, penalties and other property sanctions, except for fines accrued in favour of a taxpayer for each delayed day following the term prescribed by Article 327 of the Code in case of delaying the refund of the amounts on the unified account for more than 90 days from that term;

(10) deductions made from the gross income for the purpose of determination of the tax base in the previous reporting periods with respect to transactions declared invalid;

(11) the following by profit taxpayers, as prescribed by the Government of the Republic of Armenia (except for cases prescribed by point 12 of this part):

- a. amounts of uncollectible accounts payables written off;
- b. amounts of repayment of uncollectible accounts receivables previously written off;
- c. amounts of deductions made to the reserve in a prescribed manner in case of repayment of accounts receivables non-written off.

Within the meaning of this point:

- a. in case no repayment period is defined for receivables or payables, the sixtieth day following the day of the performance of the transaction (operation, fact) giving rise to such debt shall be deemed the repayment period for receivables or payables;

- b. the term for the statute of limitation for demand receivables and payables shall start from the day of submitting the claim but not later than the sixty first day following the performance of the transaction;
- c. in case the repayment period for receivables or payables is extended by mutual consent prior to becoming uncollectible, the receivables or payables shall be deemed delayed in case they are not repaid in the new period;
- d. partial repayment of receivables or payables shall not be deemed extension of the repayment period of the debt (amount outstanding);
- e. in case of repayment (partial repayment) of receivables or payables arisen from different transactions (operations, facts) between the same taxpayers, the receivables or payables arisen earlier shall be considered repaid (partially repaid) in case of absence of information on receivables or payables being repaid (partially repaid);
- f. writing off of uncollectible receivables or payables shall not be deemed release of receivables or payables;
- g. in case fines, penalties or interests have been calculated with respect to receivables or payables, at the time of considering such receivables or payables uncollectible and writing them off, fines, penalties or interests calculated with respect to them shall also be considered uncollectible and be written off;
- h. the offset of counter receivables or payables arisen from different transactions (operations, facts) between the same taxpayers shall be carried out only upon written consent;
- i. in case of the decision and/or consent of the creditor on release of the accounts payable or otherwise not claiming the debt or transferring the debt to a third person without compensation, the amount of accounts payable released or not claimed or transferred without compensation shall be deemed income, where it has not been considered uncollectible prior to it. Within the meaning of this sub-point, it is assumed

that there is a decision and/or consent of the creditor on otherwise not claiming the debt, where the creditor has not submitted a claim to the court on ensuring the fulfilment of the debt within the three tax years following the time of arising of such accounts payable, except for the accounts payable arisen as a result of provision of public services;

j. in case of transferring the accounts payable not considered uncollectible to a third person with compensation pursuant to the procedure prescribed by the Government of the Republic of Armenia, and in case of paying the accounts payable to notary or court deposit in the manner and in cases prescribed by the law of the Republic of Armenia — non-compensated (not paid) part of the accounts payable shall be deemed income;

(12) the following by specialised persons of banks, credit organisations, insurance companies and the securities market as prescribed jointly by the authorised body of the Government of the Republic of Armenia and the Central Bank of the Republic of Armenia:

- a. amounts of uncollectible accounts payables written off;
- b. incomes accrued as a result of recovering in the balance the uncollectible assets and investment securities previously written off from the balance;
- c. in case of assets not written off from the balance — the accrued incomes with respect to deductions from the reserves formed in the prescribed manner;

(13) incomes recognised with respect to technical reserves of the insurance companies, the reinsurer's share in the technical reserve;

(14) commissions received by the insurance companies from the reinsurance contracts;

(15) fees received by derivative financial instruments registered in the Unified Registry of Derivative Financial Instruments in the manner and within the time limits

prescribed by the Law of the Republic of Armenia “On securities market”, which have been formed as a result of the offset and/or netting of liabilities. For the purpose of ensuring the application of this point, the procedure for, the time limits and the volume of providing information from the Trade Registry to the tax authority shall be prescribed by a joint legal act of the Central Bank of the Republic of Armenia and the tax authority;

(14) amounts to be added to VAT amounts subject to offset (reduction), pursuant to part 4 of Article 73 of the Code, where those amounts were recognised as deductions from the gross income with the purpose of profit taxation. The amounts to be added, prescribed by this point, shall be included in the gross income of the tax year, in which the addition of the VAT amounts subject to offset (reduction) is carried out according to the unified calculation report of VAT and excise tax submitted for the VAT reporting period.

5. Where the amount to be compensated for the supply of goods with respect to transactions on supply of goods defined by the Government of the Republic of Armenia, shall be subject to verification pursuant to the concluded contract and based on the adjustment data (final quantity and quality features of the goods) after receiving the goods or finishing the processing thereof, the income, in case of supply of those goods, shall be determined based on (notwithstanding the compensation amount subject to payment as a result of final settlement) settlement price per unit of goods as determined by the data published by a foreign stock exchange or a journal and based on the data to be adjusted as provided for by the contract on supply of the given goods (in particular, final quantity and quality features of the goods). Within the meaning of this part:

(1) the data adjusted for the purpose of the determination of income, the maximum adjustment thresholds thereof, as well as the procedure (including the frequency of the determination of a settlement price) for the determination of a settlement price per unit of goods shall be established by the Government of the Republic of Armenia;

(2) in case of transactions on supply of goods, the addition or reduction of the income for the supply of goods shall be included in the profit tax calculation report submitted to the tax authority for the reporting period, that includes the day when the final amount of the income for the supply of goods became known, as an addition or reduction of the income.

#### **Article 110. Deductions**

1. When determining the tax base of resident profit taxpayers, entrepreneurial expenses (hereinafter referred to as “expenses”), losses and other deductions shall be deducted from the gross income prescribed by point 1 of part 1 of Article 104 of the Code — in the manner and in the amount prescribed by this Section of the Code.
2. When determining the tax base of non-resident profit taxpayers, carrying out activities in the Republic of Armenia through a permanent establishment, expenses, losses and other deductions shall be deducted from the gross income prescribed by point 3 of part 1 of Article 104 of the Code — in the manner and in the amount prescribed by this Section of the Code.
3. The same amount of deductions, prescribed by parts 1 and 2 of this Article, shall be deducted from the gross income only once.

#### **Article 111. Expenses**

1. When determining the tax base of resident profit taxpayers and non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, expenses, substantiated by the settlement documents prescribed by points 1-4 of part 2 of Article 55, as well as by parts 10-12 of the same Article of the Code, shall be deducted from the gross income prescribed by points 1 and 3 of part 1 of Article 104 of the Code respectively, unless otherwise prescribed by part 2 of this Article and Article 113 of the Code.

2. Notwithstanding the provisions of part 1 of this Article, when determining the tax base of resident profit taxpayers and non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, the compensation amounts of per diem not exceeding the amount prescribed by the Government of the Republic of Armenia, as well as of performance of field works and of works of transportation (moving) shall be allowed to be deducted from the gross income without substantiation by the documents.

#### **Article 112. Items not deemed expenses**

1. For the purpose of the determination of profit tax base, the following items shall not be deemed expenses for profit taxpayers:

- (1) distribution of the own capital to the participants in the form of dividends or in other similar form;
- (2) investments made in the own capital of other taxpayer;
- (3) the negative difference of the sales price of stocks, shares or units repurchased by a profit taxpayer and the book value thereof;
- (4) in case of liquidation of another organisation, negative difference of the residual property value received for stocks, shares or units owned in that organisation by the profit taxpayer and the book value of the stocks, shares or units;
- (5) goods transferred, works performed and/or services provided, as an investment made in the joint activity, to the reporting participant of joint activity by a participant of joint activity;
- (6) negative result of re-evaluation of assets, including foreign currency, other assets expressed in foreign currency, as well as assets expressed in bank gold and other precious metals;

- (7) positive result of re-evaluation of liabilities, including liabilities expressed in foreign currency, as well as liabilities expressed in bank gold and other precious metals;
- (8) expense with respect to assets (including participation fees), works and services received without compensation by non-commercial organisations or the expense made from them, other deduction or incurred loss;
- (9) liquidation expenses of fixed assets and intangible assets, as well as book values of fixed assets and intangible assets being liquidated;
- (10) in case of liquidation of a taxpayer — the amount of up to AMD 1 000 available on the unified account;
- (11) expenses with regard to the acquisition and alienation of securities proving the participation in the investment funds, as well as other expenses with regard to the participation in those funds;
- (12) expenses made with regard to activity of casinos, gambling games and/or organising internet gambling games;
- (13) expenses with regard to the production of electric power by autonomous energy producers.

**Article 113. Restrictions on deductions made from the gross income with the purpose of determination of the tax base**

1. While determining the tax base of a resident profit taxpayer and non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, the following shall not be deducted from the gross income:

- (1) fines, penalties and other property sanctions calculated and paid, as prescribed by the Code or other laws, with respect to fees made to the state or community budgets or to the funded pension system or other amounts controlled by the tax authority;

- (2) assets provided without compensation, works performed or services provided without compensation, released liabilities, except for cases prescribed by Article 120 and point 5 of part 1 of Article 123 of the Code;
- (3) expenses with respect to amortisation deductions calculated as prescribed by part 1 of Article 121 of the Code with respect to fixed assets belonging to the profit taxpayer by the right of ownership, but provided through financial lease;
- (4) expenses related to the generation of incomes which are deducted from the gross income when determining the profit tax base;
- (5) VAT, excise tax and environmental tax amounts offset (reduced) in the manner and amount prescribed by Sections 4, 5 and 8 of the Code;
- (6) VAT and excise tax amounts calculated and paid against VAT and excise tax bases in the manner and amount prescribed by Sections 4 and 5 of the Code in case of transactions on supply of goods, performance of works and provision of services without compensation or with compensation at a value substantially lower than actual value;
- (7) the part of standardized expenses exceeding the standards for the purpose of the determination of profit tax base as prescribed by Articles 114-120 of the Code.

**Article 114. Interests paid for credits and borrowings**

1. While determining the tax base of a resident profit taxpayer and non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, the following shall not be deducted from the gross income:

- (1) a part of the amounts of interests calculated with respect to credits and/or borrowings (including the amounts of interests calculated within the framework of financial lease contracts), which exceeds the amounts equivalent to the twofold of the settlement rate of bank interest established by the Central Bank of the Republic of



Armenia as of thirty first of December of the tax year. Within the meaning of this point, the amounts of interests with respect to credits and/or borrowings shall be compared to the amounts equivalent to the twofold of the settlement rate of bank interest established by the Central Bank of the Republic of Armenia separately for each credit and/or borrowing;

(2) a part of the amounts of interests calculated during the tax year with respect to borrowings attracted from subjects not deemed bank and/or credit organisations, which exceeds the below-mentioned based on the results of the tax year:

- a. twofold of the positive balance of the own capital of a profit taxpayer (except for banks and credit organisations), available as of the last day of the tax year;
- b. ninefold of the positive balance of the own capital of a profit taxpayer deemed a bank or a credit organisation, available as of the last day of the tax year.

In case of the negative balance of the own capital available as of the last day of the tax year, the amounts of interests calculated during the tax year with respect to borrowings attracted from subjects not deemed bank and/or credit organisations, shall not be deducted from the gross income while determining the tax base of a profit taxpayer.

Within the meaning of this point, the own capital shall be calculated as a difference of the assets and liabilities calculated as prescribed by the Code.

The provisions of this sub-point shall not apply to the amounts of interests calculated with respect to borrowings received from international development organisations included in the list defined by the Government of the Republic of Armenia, as well as to the amounts of interests calculated with respect to assets attracted from public placement of debt securities;

(3) the amounts of interests calculated with respect to credits and/or borrowings received by profit taxpayers not deemed bank and credit organisations, where the

amounts of these credits and/or borrowings are provided to other taxpayers on interest-free basis;

(4) a part of the amounts of interests calculated with respect to credits and/or borrowings received by profit taxpayers not deemed bank and credit organisations, which exceeds the amounts of interests received with respect to borrowings provided to other taxpayers from the amounts of the given credits and/or borrowings.

Within the meaning of points 3 and 4 of this part:

a. the amounts of interests calculated with respect to the received credits and/or borrowings, as well as the amounts of interests received with respect to borrowings provided to other taxpayers shall be calculated for each tax year;

b. while determining the tax base, the amount of the expenses not deductible from the gross income shall be determined by the difference of the sum total of the amounts of interests calculated with respect to credits and/or borrowings received and the sum total of the amounts of interests received with respect to borrowings provided to other taxpayers without taking into account the amounts of interests calculated and/or received with respect to each credit and/or borrowing. Moreover, while determining the tax base, the amount of the expenses not deductible from the gross income shall be determined with respect to the amounts of interests calculated with respect to only those amounts of the received credits and/or borrowings, which have been provided to other taxpayers;

c. while determining the tax base, in determining the amount of the expenses not deductible from the gross income, those amounts of interests with respect to the amounts of the received credits and/or borrowings, which are, pursuant to point 5 of part 7 of Article 121 of the Code, included (capitalised) in the initial value of asset shall not be included in the calculation.

## **Article 115.           Rentals**

1. While determining the tax base of a resident profit taxpayer and non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, the following shall not be deducted from the gross income:

(1) rentals paid for fixed assets and/or intangible assets taken on lease by the profit taxpayer, where they are provided to other taxpayers for gratuitous use; Within the meaning of this point, rentals not subject to deduction from the gross income shall be:

a. the rental paid for the same period of the same fixed asset (including a part thereof) and/or the same intangible asset for the period of providing the fixed asset (including a part thereof) and/or the intangible asset for gratuitous use, except for cases prescribed by sub-point “b” of this point;

b. determined as the difference of the income determined as prescribed by point 2 of part 1 of Article 109 of the Code for the period of providing the buildings, constructions (including unfinished, semi-finished), residential or other premises, land parcels (including a part thereof) for gratuitous use and of the rental paid for the same period of the same buildings, constructions (including unfinished, semi-finished), residential or other premises, land parcels (including a part thereof);

(2) the part of rentals paid for fixed assets and/or intangible assets taken on lease by the profit taxpayer, which exceeds the rentals received for providing those fixed assets and/or intangible assets to other taxpayers for sublease. Within the meaning of this point, the rental not subject to deduction from the gross income shall be determined as the difference of the rental received for providing the fixed assets (including a part thereof) and/or intangible assets for sublease (taking into account the provisions of point 2 of part 1 of Article 109 of the Code) and of the rental paid for the same period of lease of the same fixed assets (including a part thereof) and/or the same intangible assets.

## **Article 116. Representation expenses**

1. While determining the tax base of a resident profit taxpayer and non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, the part of representation expenses which exceeds 0.5 percent of the gross income of the tax year or AMD 5 million, shall not be deducted from the gross income, except for cases prescribed by part 2 of this Article.
2. While determining the tax base of the tax year of state registration (record-registration, in cases prescribed by law) or record-registration as an individual entrepreneur or appointment as a notary, the restriction of 0.5 percent of the gross income of the tax year shall not be taken into account with regard to the calculation of the permissible maximum amount of the representation expenses subject to deduction from the gross income.
3. Within the meaning of this Article, expenses made for establishing mutual beneficial cooperation with other organisations and natural persons and/or maintaining such cooperation shall be deemed representation expenses.

## **Article 117. Secondment expenses**

1. While determining the tax base of a resident profit taxpayer and non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, that part of secondment expenses (including per diem, overnight accommodation, transportation costs, costs related to temporary registration) shall not be deducted from the gross income, which exceeds:
  - (1) five percent of the gross income of the tax year in case of secondment outside the territory of the Republic of Armenia, except for cases prescribed by the second paragraph of this point and point 2 of this part.

While determining the tax base of the tax year of state registration (record-registration, in cases prescribed by law) or record-registration as an individual entrepreneur or appointment as a notary, the restriction of five percent of the gross income of the tax year shall not be taken into account with regard to the calculation of the permissible maximum amount of the secondment expenses subject to deduction from the gross income;

(2) 80 percent of sales turnover for performance of works and/or provision of services separated in the contracts concluded with the customer or in the settlement documents confirmed by the customer — in case of performance of works and/or provision of services outside the territory of the Republic of Armenia. As prescribed by this point, in case of absence of the contracts concluded with the customer and settlement documents confirmed by the customer or where sales turnover for performance of works and/or provision of services is not separated in the contracts concluded with the customer or in the settlement documents confirmed by the customer, while determining the profit tax base, the permissible maximum amount of the secondment expenses subject to deduction from the gross income shall be determined as prescribed by point 1 of this part.

In cases prescribed by points 1 and 2 of this part, per diem expense for each calendar day for a person on secondment may be deducted to AMD 30 000, and in case other amount is defined by the Government of the Republic of Armenia — to an amount not exceeding the amount defined by the Government of the Republic of Armenia;

(3) AMD 12 000 with respect to per diem for each calendar day for a person on secondment in case of secondment within the territory of the Republic of Armenia. Moreover, for profit taxpayers carrying out construction works, the total monthly sum of per diem expenses within the territory of the Republic of Armenia may not exceed the sum total of the given monthly salary and other equivalent fees calculated for each hired worker involved in the relevant construction works.

2. Within the meaning of this Article, expenses made to provide compensation to a person on secondment in the manner and in cases prescribed by the labour legislation of the Republic of Armenia in case of secondment of a profit taxpayer or the employee thereof, as prescribed by the same legislation, shall be deemed secondment expenses.

#### **Article 118. Management services expenses**

1. While determining the tax base of a resident profit taxpayer and a non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, the part of expenses made for management services received from non-resident profit taxpayer carrying out activities in the Republic of Armenia without a permanent establishment or a non-resident natural person carrying out activities in the Republic of Armenia without a permanent establishment and/or deriving income from the sources of the Republic of Armenia without a permanent establishment, which exceeds two percent of the gross income of the tax year shall not be deducted from the gross income, except for cases prescribed by parts 2 and 3 of this Article. Expenses made for management services prescribed by this part shall also include those expenses made for the management services received by non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, which are not attributed to a permanent establishment as incomes.

2. While determining the tax base of the tax year of state registration (record-registration, in cases prescribed by law) or record-registration as an individual entrepreneur or appointment as a notary, the permissible maximum amount of the management services expenses subject to deduction from the gross income shall be determined in the amount of 2 percent of the gross income of the tax year, and where the 2 percent of the gross income of the given tax year is less than AMD 2 million, the management services expenses shall be deducted from the gross income in the amount not exceeding AMD 2 million.

3. The limitation prescribed by part 1 of this Article shall not apply to the management services expenses received from non-resident organisations and non-resident natural persons deemed founders of resident organisations carrying out introduction of innovations and innovative activities in the field of information technologies and computer equipment, as well as those received from non-resident organisations and non-resident natural persons within the framework of international credit (grant) contracts (agreements).

4. Within the meaning of this Article, expenses made for works performed and/or services provided (except for works performed by hired workers) by other taxpayers for actual control of the activities of a taxpayer, which do not include the management services expenses with respect to consultancy and trust management, shall be deemed management services expenses.

**Article 119. Pension fees made within the framework of voluntary pension component**

1. While determining the tax base of a resident profit taxpayer and non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, the following shall not be deducted from the gross income:

(1) the part of the pension fees made for the hired employee within the framework of the voluntary pension component as prescribed by the legislation of the Republic of Armenia, which exceeds 7.5 percent of the sum total of the salary and other equivalent fees of the given hired employee;

(2) the part of the pension fees made for themselves as individual entrepreneurs or notaries, within the framework of the voluntary pension component as prescribed by the legislation of the Republic of Armenia, which exceeds 5 percent of the tax base.

## **Article 120. Other expenses**

1. While determining the tax base of a resident profit taxpayer and non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, the following shall not be deducted from the gross income:

(1) accommodation expenses (particularly, the rentals for apartments or houses leased for the given person, costs of electricity, gas, water, telephone bills or other utility fees provided for by the lease contract) not related to the secondment of the natural person being in labour or civil law relations with the profit taxpayer, notwithstanding the fact that the profit taxpayer has undertaken the obligation to cover such expenses under the labour or civil law contracts concluded between the profit taxpayer and the given natural person, except for cases prescribed by the second paragraph of this point.

The restriction prescribed by the first paragraph of this point shall not apply in cases where the labour or civil law contract concluded between the profit taxpayer and the natural person provides that the salary or remuneration of the natural person includes also the expenses mentioned above;

(2) the part of the expenses for providing assistance and food to natural persons, organising social and cultural events therefor and other similar expenses, which exceeds 0.25 percent of the gross income of the tax year.

## **Article 121. Peculiarities of record-keeping of separate types of expenses**

1. For the purpose of the determination of the tax base of a resident profit taxpayer and a non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, expenses with respect to amortisation deductions of fixed assets and intangible assets, subject to amortisation, belonging to a resident profit taxpayer or a non-resident profit taxpayer carrying out activities in the Republic



of Armenia through a permanent establishment by the right of ownership or those received through financial lease, shall be deducted from the gross income. Moreover:

(1) the amount of amortisation deduction with respect to each unit of fixed assets and intangible assets shall be calculated on a tax year basis (taking into account the provisions prescribed by point 6 of this part) as the ratio of the initial value of the given fixed asset and intangible asset and the amortisation terms for separate groups of fixed assets and intangible assets prescribed by points 3-5 of this part;

(2) the amount of amortisation deduction, after re-evaluation with respect to each unit of fixed assets and intangible assets, re-evaluated as prescribed by law, shall be calculated on a tax year basis (taking into account the provisions prescribed by point 6 of this part) as the ratio of the book value of the given fixed asset and intangible asset and the remaining amortisation terms — calculated based on the minimum amortisation terms — of separate groups of fixed assets and intangible assets prescribed by points 3-5 of this part;

(3) the following minimum amortisation terms shall apply for the separate groups of fixed assets:

Line	Groups of fixed assets	Minimum amortisation term (year(s))
(1)	Buildings, constructions, linear engineering infrastructures (electric transmission and communication systems (including aerial and underground cable lines) deemed a unit of immovable property, and the posts thereof, watering, water supply and drainage systems, gas pipeline and heat supply systems, irrigation systems, reservoirs), except for those mentioned in line 2	20
(2)	Buildings and constructions of hotels, guest houses, sanatoriums, educational and training institutions	10
(3)	Production equipment	5

(4)	Conveyers, robotic technologies	3
(5)	Computational and computer equipment, communication apparatuses	1
(6)	Other fixed assets (including labour livestock, perennial plantings and capital investments for land improvement)	8

(4) the profit taxpayer may choose other amortisation terms for fixed assets and intangible assets (*inter alia*, both at the moment of calculating the amortisation deduction for a given fixed asset or intangible asset for the first time and afterwards), which, however may not be shorter than the terms prescribed by point 3 of this part for a given group of fixed assets, or by point 5 of this part for intangible assets. In the cases prescribed by this point, each time, after reviewing the amortisation term for a given fixed asset or intangible asset, the amount of the amortisation deduction shall be calculated for the tax year (also taking into account the provisions prescribed by point 6 of this part) as the relation of the book value existing before the review of the amortisation term for a given fixed asset or intangible asset and the remaining amortisation terms thereof calculated on the basis of the reviewed amortisation terms;

(5) the amortisation terms for intangible assets shall be determined by the profit taxpayer, based on the possible periods of use thereof. In the case when the determination thereof is impossible, the minimum amortisation term for intangible assets shall be set at ten years, but not more than the period of activity of the profit taxpayer. Within the meaning of this point, within the scope of concession agreements for provision of services qualified by the authorised body of the Government of the Republic of Armenia as concession contracts pursuant to the standards set by the Government of the Republic of Armenia (hereinafter referred to as “concession contract”), the right of exploitation of public service infrastructures (including of the result of improvements made on infrastructure assets belonging to the concessor (grantor) and/or separate elements thereof by the concessionaire (operator), or of infrastructure assets (tangible or intangible) purchased or constructed and passed to

the concessor (grantor) under the right of ownership by the concessionaire (operator)), received from the concessor (grantor) within the scope of the concession contract shall also be deemed intangible asset for the concessionaire (operator).

Within the meaning of this point:

a. concessor (grantor) shall mean a state or community authority which provides the concessionaire (operator) with public service infrastructures for a certain period of time for the purpose of exploitation and/or service thereof;

b. concessionaire (operator) shall mean a resident organisation which is provided with public service infrastructures by the concessor (grantor) for the purpose of providing and/or improving a public service, and which exploits and/or maintains those infrastructures during a set period of time;

(6) during the tax year, in the case of:

a. acquisition, receipt, building, establishment or development (hereinafter referred to in this Article as “acquisition”) of fixed assets and intangible assets (except for cases prescribed by sub-point c), expenses with regard to amortisation deductions for said fixed assets and intangible assets shall be made from the day of their amortisation, in the amount of the product of the amount of the amortisation deduction calculated for the tax year as prescribed by points 1, 2 and/or 4 of this part, and the  $\frac{1}{12}$  of the number of full months included in the period from the day of amortisation of the fixed assets and intangible assets until the end of the tax year, also taking into account the provisions of the last paragraph of this point for incomplete months;

b. alienation or liquidation (except for cases prescribed by sub-point “c” of this point) of fixed assets and intangible assets, expenses with regard to amortisation deductions for said fixed assets and intangible assets shall be made from the beginning of the tax year until the day of their alienation or liquidation (and where the fixed assets and intangible assets have ceased to be deemed subject to amortisation, until the day of ceasing to be deemed subject to amortisation), in the amount of the

product of the amount of the amortisation deduction calculated for the tax year as prescribed by points 1, 2 and/or 4 of this part, and the  $\frac{1}{12}$  of the number of full months included in the period from the beginning of the tax year until the day of alienation or liquidation of the fixed assets and intangible assets (and where the fixed assets and intangible assets have ceased to be deemed subject to amortisation, until the day of ceasing to be deemed subject to amortisation), also taking into account the provisions of the last paragraph of this point for incomplete months;

c. acquisition and alienation or acquisition and liquidation of fixed assets and intangible assets, expenses with regard to amortisation deductions for said fixed assets and intangible assets shall be made from the day of their amortisation until the day of their alienation or liquidation (and where the fixed assets and intangible assets have ceased to be deemed subject to amortisation, until the day of ceasing to be deemed subject to amortisation), in the amount of the product of the amount of the amortisation deduction calculated for the tax year as prescribed by points 1, 2 and/or 4 of this part, and the  $\frac{1}{12}$  of the number of full months included in the period from the day of amortisation of the fixed assets and intangible assets until the day of alienation or liquidation of the fixed assets and intangible assets (and where the fixed assets and intangible assets have ceased to be deemed subject to amortisation, until the day of ceasing to be deemed subject to amortisation), also taking into account the provisions of the last paragraph of this point for incomplete months;

d. fixed assets and intangible assets becoming subject to amortisation and/or ceasing to be deemed subject to amortisation, expenses with regard to amortisation deductions for said fixed assets and intangible assets shall be made from the day of their amortisation until the day they cease to be deemed subject to amortisation, in the amount of the product of the amount of the amortisation deduction calculated for the tax year as prescribed by points 1, 2 and/or 4 of this part, and the  $\frac{1}{12}$  of the number of full months included in the period from the day of amortisation of the fixed assets and intangible assets until the day the fixed assets and intangible assets cease to be

deemed subject to amortisation, also taking into account the provisions of the last paragraph of this point for incomplete months.

In the cases prescribed by sub-points a-d, the amount of the amortisation deduction for incomplete months shall be calculated in the amount of the product of the amount of the amortisation deduction for the tax year calculated as prescribed by points 1, 2 and/or 4 of this part, and the  $\frac{1}{365}$  of the number of days included in those incomplete months.

2. Irrespective of the provisions of part 1 of this Article, for the purpose of determining the tax base for resident profit taxpayers, as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, expenses in the amount of the original cost of fixed assets and intangible assets worth up to AMD 50 000 (inclusive) shall be fully deducted from the gross income during the tax year of acquisition of those fixed assets and intangible assets.

3. For the purpose of determining the tax base for resident profit taxpayers, as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, the following shall be deducted from the gross income:

(1) capital expenses on fixed assets and intangible assets (including those taken on operating lease or financial lease or under gratuitous use), as prescribed by sub-points a-c of this point. Within the meaning of this point, an expense made on a fixed asset or an intangible asset shall be deemed a capital expense where it exceeds five percent of the original cost (in the case of revaluation carried out as prescribed by law — the revalued cost) of said fixed asset or intangible asset, or where the sum of separate expenses not exceeding five percent of the original cost (in the case of revaluation carried out as prescribed by law — the revalued cost) of the fixed asset or intangible asset made on the fixed asset or intangible asset during the tax year exceeds 15

percent of the original cost (in the case of revaluation carried out as prescribed by law — the revalued cost) of said fixed asset or intangible asset, for the exceeding amount. Capital expenses made on each fixed asset or intangible asset during each month, exceeding five percent of the original cost (in the case of revaluation carried out as prescribed by law — the revalued cost) of the fixed asset or intangible asset, shall be added to the book value of said fixed asset or intangible asset as of the 1<sup>st</sup> of the month when they were made, and the part of the sum of the separate expenses not exceeding five percent of the original cost (in the case of revaluation carried out as prescribed by law — the revalued cost) of the fixed asset or intangible asset that exceeds 15 percent of the original cost (in the case of revaluation carried out as prescribed by law — the revalued cost) of the fixed asset or intangible asset, shall be added to the book value of said fixed asset or intangible asset as of the 1<sup>st</sup> of the month when the day of excess occurred, and starting from that month, said fixed asset or intangible asset shall be amortised:

- a. in the remaining amortisation term (including the case when the amortisation term for the fixed asset has been chosen by the profit taxpayer pursuant to point 4 of part 1 of this Article), where the capital expenses made on a given fixed asset during a given month do not exceed the book value of that fixed asset as of 1 January of the tax year when they were made, or the original cost in the case when the fixed asset was acquired after 1 January of the tax year;
- b. in the remaining period of amortisation (including the case when the amortisation term for the fixed asset has been chosen by the profit taxpayer pursuant to point 4 of part 1 of this Article), but not shorter than the minimum amortisation term prescribed for a given fixed asset by point 3 of part 1 of this Article, where the capital expenses made on that fixed asset during a given month exceed the book value of that fixed asset as of 1 January of the tax year when they were made, or the original cost in the case when the fixed asset was acquired after 1 January of the tax year, and provided

that the minimum amortisation term prescribed for that fixed asset by point 3 of part 1 of this Article is less than eight years;

c. in the remaining amortisation term (including the case when the amortisation term for the fixed asset has been chosen by the profit taxpayer pursuant to point 4 of part 1 of this Article), but not shorter than eight years, where the capital expenses made on that fixed asset during a given month exceed the book value of that fixed asset as of 1 January of the tax year when they were made, or the original cost in the case when the fixed asset was acquired after 1 January of the tax year, and provided that the minimum amortisation term prescribed for that fixed asset by point 3 of part 1 of this Article is eight years or more;

d. in the remaining period of amortisation in the case of an intangible asset;

(2) current expenses made on fixed assets and intangible assets (including those taken on operating lease or financial lease or under gratuitous use) during the year they are made. Within the meaning of this point, expenses made on a fixed asset or an intangible asset shall be deemed current expenses where they are not deemed capital expenses pursuant to point 1 of this part.

Within the meaning of this part:

(1) for the purpose of classifying expenses made on a fixed asset or an intangible asset as capital expenses or current expenses, initial and/or book values — which shall be specified in an appropriate act or a contract or a certificate of delivery and acceptance — recorded with the lessor or provider for gratuitous use shall be accepted as initial and/or book values of fixed assets and intangible assets taken on operating lease or financial lease or under gratuitous use respectively. In the case of absence of initial and/or book values therein, those values shall be deemed to be zero;

(2) for the purpose of amortising the capital expenses made on fixed assets and intangible assets taken on operating lease or financial lease or under gratuitous use, the period prescribed by point 3 of part 1 of this Article shall be accepted as the

minimum amortisation term, and the remaining period of amortisation recorded with the lessor or the provider for gratuitous use shall be accepted as the remaining period of amortisation, which shall be specified in an appropriate act or a contract or a certificate of delivery and acceptance. In the case of absence of a remaining period of amortisation therein, the term prescribed by point 3 of part 1 of this Article shall be accepted as the remaining period of amortisation;

(3) capital expenses made on fixed assets and intangible assets taken on operating lease or financial lease or under gratuitous use shall be deducted from the gross income in the case where the obligation of making those expenses rests with the lessee or the user upon a relevant act or contract;

(4) in the case of rescission and/or actual termination of the contract on operating lease or financial lease or gratuitous use, the unamortised balance of the capital expenses shall not be subject to deduction from the gross income of the lessee or user, except for the cases where the lessee or user alienates against compensation the unamortised balance of the capital expenses to the lessor or the person who provided the fixed asset or intangible asset for use;

(5) capital expenses made on fixed assets (including land parcels) not subject to amortisation shall be amortised within the minimum amortisation term prescribed by point 3 of part 1 of this Article for other fixed assets, taking into account the provisions prescribed by points 1-4 of this paragraph.

4. For the purpose of determining the tax base for resident profit taxpayers, as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, expenses made by the profit taxpayer on preparatory, geological research and project and research works for extraction of natural resources shall be deducted by the profit taxpayer from the gross income in accordance with procedure prescribed by point 5 of part 1 of this Article for determination of the amount of amortisation deductions with regard to intangible assets.



5. For the purpose of determining the tax base for resident profit taxpayers, as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment:

(1) the amount accepted as the original cost of acquired buildings, constructions (including unfinished, semi-constructed), residential or other premises, land parcels, shall not be less than the immovable property tax base determined in accordance with the procedure prescribed by Article 228 of the Code;

(2) the amount accepted as expenses with respect to transactions on taking buildings, constructions (including those unfinished, semi-constructed), residential or other premises, land parcels on lease or under gratuitous use shall not be less than 2.5 percent of the immovable property tax base prescribed by Article 228 of the Code for such, and in the case of absence of said tax base — of the tax base corresponding to the share of the area leased or taken under gratuitous use in the total area of the immovable property taxable object, calculated annually.

During the reporting period, in the case of taking on lease or under gratuitous use a property prescribed by this point and /or termination of the right to lease that property or take it under gratuitous use, the expense with respect to the mentioned transactions during the reporting period shall be the product of the expense prescribed by the first paragraph of this point and the share of the days when the property was taken on lease or under gratuitous use in the days included in the reporting period.

The provisions of points 1 and 2 of this part shall not be applied where the state or a community is a party to the transaction on acquisition or lease or gratuitous use of property units prescribed by this part (except for cases when the transaction is conducted through another organisation) or where the alienator or the lessor (lender) is a natural person who is not an individual entrepreneur or a notary.

6. For the purpose of determining the tax base for resident profit taxpayers, as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, the gross income shall be deducted in the amount of the expenses made on scientific research and/or experimental design works and services carried out immediately by the profit taxpayer or upon the order thereof, in the full amount thereof during the tax year when those expenses were made. Within the meaning of this part:

(1) expenses made on scientific research and/or experimental design works and services shall be deducted from the gross income where the amounts paid for the scientific research and/or experimental design works and services are separated in the contracts concluded between the contractor and the performer and/or the calculation documents drawn up by the contractor and the performer as prescribed by points 1-4 of part 2 of Article 55 of the Code;

(2) scientific researches and developments carried out with the purpose of widening the acquired knowledge, receiving and applying new knowledge, including the following, shall be deemed scientific research works and services:

a. fundamental scientific researches — theoretical or experimental activities aimed at widening the existing knowledge and acquiring new knowledge about the laws of nature, human activities, the structure and basic patterns of development of the society;

b. applied scientific researches — researches of mainly practical significance, aimed at the solution of certain issues, such as experimental developments based on the knowledge acquired through scientific researches or practical experience and aimed at the protection of human life and health, creation and further development of new substances, products, services, systems or methods;

(3) development of a certain construction of an engineering object or a technical system, development of concepts and versions of a new object at the level of diagrams

or other symbolic systems, development of technological processes, including the following, shall be deemed experimental design works and services:

- a. assessment of alternatives to a product or technology;
- b. design, construction and testing of product samples;
- c. design of tools, matrices, moulds and stamps with the help of new technologies;

(4) the following shall not be included in scientific research and experimental design works and services:

- a. education and training (re-training) of personnel;
- b. marketing activities;
- c. collection and development of information of general significance;
- d. standardisation;
- e. specialised medical works and services;
- f. adjustment of the existing software (adaptation, maintenance and accompaniment), except for adjustment (adaptation, maintenance and accompaniment) of the existing software in the field of information technologies and computer equipment;
- g. introduction of innovations in the production process, except for introduction of innovations in the field of information technologies and computer equipment;
- h. management;
- i. carrying out sociological and other surveys, summarization of the results thereof and development of recommendations, analysis of the existing legislation and statistical data.

7. For the purpose of determining the tax base for resident profit taxpayers, as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment:

- (1) expenses directly relating to production of goods, performance of works and/or provision of services shall be deducted from the gross income proportionally to the supply of those goods, performance of works and/or provision of services;
- (2) the original cost of goods constituting an object of trade (purchase and sale) shall be deducted from the gross income proportionally to the supply of those goods;
- (3) the book value of assets not mentioned in points 1 and 2 of this part (including that of fixed assets and intangible assets) shall be deducted from the gross income proportionally to the alienation of those assets;
- (4) administrative expenses relating to the activities of the profit taxpayer, sales expenses, other expenses of non-production nature shall be deducted from the gross income during the tax year to which they relate;
- (5) financial expenses shall be deducted from the gross income during the tax year to which they relate, except for the cases, prescribed by the legislation regulating the sphere of accounting, when they are included (capitalized) in the original cost of the asset.

Within the meaning of points 4 and 5 of this part, an expense shall be deemed relating to a certain tax year where the transaction mentioned in the accounting document serving as a ground for making that expense (i.e. the date of supplying the goods, performance of works or providing the service mentioned in the accounting document, is included) has been conducted during a given tax year (including in the cases when the date of issuing the accounting document is included in any tax year preceding or following the tax year).

Within the meaning of this part:

- (1) particularly, expenses on raw materials, materials, parts, components, nodes, semi-products, work remuneration of the staff involved in the production processes, the processes of performance of works and/or provision of services, funded

contributions made by the employer for the workers within the framework of the voluntary funded pension scheme as prescribed by the legislation of the Republic of Armenia, amortisation deductions on fixed assets of production significance in current exploitation and on intangible assets in current exploitation, as well as expenses made on those fixed assets and intangible assets shall be deemed expenses directly relating to production of goods, performance of works and/or provision of services;

(2) particularly, expenses on work remuneration of the management staff, funded contributions made by the employer for that staff within the framework of the voluntary funded pension scheme as prescribed by the legislation of the Republic of Armenia, amortisation deductions on secondments, provision of materials and transport, on technical means of management and on fixed assets of non-production (general economic) significance, expenses made on those fixed assets, representation expenses, judicial expenses, expenses on acquisition of audit, accounting, consulting and information services, expenses on training and re-training of the staff, labour recruitment expenses, expenses on acquisition of office services, postal, telephone, telegram and other similar services shall be deemed administrative expenses;

(3) particularly, expenses on packaging, maintenance, loading, transportation, unloading, escort, advertisement and marketing of goods relating to supply of goods, performance of works and/or provision of services shall be deemed sales expenses;

(4) particularly, expenses on acceptance of invention, rationalisation, scientific research, design and experimental works and/or for being provided with services, amortisation deductions on fixed assets of production significance not being in exploitation and of intangible assets not being in exploitation, as well as expenses made on those fixed assets and intangible assets shall be deemed other expenses of non-production nature;

(5) particularly, interest calculated on loans and borrowings (including interest calculated within the framework of financial lease contracts), expenses relating to

acquisition of loans and borrowings (including expenses relating to conclusion of financial lease contracts, expenses on issuance and placement of securities) shall be deemed financial expenses.

8. For the purpose of determining the tax base for resident profit taxpayers, as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, the following shall also be deemed expenses:

(1) insurance and re-insurance premiums in the following manner:

a. in the case of acting as policyholder, insurance premiums paid for the policyholder's workers, where the payment of those premiums is mandatory by law;

b. in the case of acting as employer, insurance premiums paid for health insurance of the employer's hired workers, in the amount of up to AMD 10 000 for each month of each hired worker receiving an income;

(2) expenses relating to the provision of services to up to 10 percent of the students of a higher education institution, irrespective of whether or not the students compensate for such services;

(3) amounts of a hired worker's temporary disability benefits paid at the expense of the funds of the employer in the cases and in the amount prescribed by legislation (except for maternity benefits prescribed by the Law of the Republic of Armenia "On temporary disability and maternity benefits");

(4) compensation for damages (loss) caused;

(5) penalties, fines and other monetary sanctions, except for the cases prescribed by point 1 of part 1 of Article 113 of the Code;

(6) taxes (except for the cases prescribed by point 6 of part 1 of Article 113 of the Code) and fees which are not compensated for and not offset (reduced) as prescribed by the Code;

(7) pursuant to part 2 of Article 73 of the Code, amounts deductible from the VAT amounts subject to offsetting (reduction), where the expenses with regard to the assets mentioned in the same part are subject to deduction from the gross income for the purpose of determining the tax base. The deductible amounts prescribed by this point shall be included in the expenses of the tax year, in the unified calculation report for VAT and excise tax for the VAT reporting period of which deductions of VAT amounts subject to offsetting (reduction) shall be made.

## **Article 122.        Losses**

1. For the purpose of determining the tax base for resident profit taxpayers, as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, natural losses of property, as prescribed by part 2 of this Article, as well as qualitative, accidental, technological and/or other losses of property supported by documents, as prescribed by parts 3-7 of this Article respectively, shall be deducted from the gross income.

2. A natural loss of property shall be deducted from the gross income in an amount not exceeding that defined by the Government of the Republic of Armenia, during the tax year when that loss occurred or was identified. Within the meaning of this part, decrease in weight, size, volume and/or quantity of the property during the maintenance or transportation thereof conditioned by the influence of physicochemical, mechanical or biological factors shall be deemed natural loss of property. In the case where no amount of natural loss is defined by the Government of the Republic of Armenia or the amount of the natural loss exceeds the amount defined by the Government of the Republic of Armenia, the amount of that loss (in the case where the amount of the natural loss exceeds the amount defined by the Government of the Republic of Armenia, the exceeding amount) shall not be deducted from the gross income.

3. A qualitative loss of property supported by documents shall be deducted from the gross income in the amount not exceeding one percent of the gross income of the tax year when that loss occurred or was identified, during that tax year. Within the meaning of this part, property or goods removed from circulation as a result of decline in consumer characteristics as a result of expiration of the period of expiry (preservation) of goods having a period of expiry (preservation) or of wear and/or deterioration in the course of time or of emergence of prohibitions or restrictions on supply of the goods in the cases prescribed by the Code or the laws of the Republic of Armenia, shall be deemed a qualitative loss of property.

4. An accidental loss of property supported by documents shall be deducted from the gross income in its full amount, during the tax year when that loss occurred or was identified. Within the meaning of this part, loss, destruction or damage of property which occurred due to fire, flood, earthquake or other natural disaster, shipwreck, war, military operations, armed attack, mass disorders, rebellion or other similar emergency events (including insurance accidents prescribed by law), shall be deemed accidental loss of property.

5. A technological loss of property supported by documents shall be deducted from the gross income as an element of material expenses, in the amount prescribed by this part, as prescribed by point 1 of the first paragraph of part 7 of Article 121 of the Code, and in the cases prescribed by part 7 of this Article, also in the amount and as prescribed by that part. Within the meaning of this part, the following shall be deemed technological loss of property:

(1) the part of the consumption rate for raw materials, materials, parts and/or components defined by the profit taxpayer for the production (assembly, preparation) of a product unit, which has lost its qualitative features due to the technology used in the production (assembly, preparation) process;

(2) faulty products, in the amount of the rate defined by the profit taxpayer;



(3) technological losses defined by legislation or the authorised body of the Government of the Republic of Armenia.

6. Other loss of property supported by documents shall be deducted from the gross income in the amount of that loss, as prescribed by part 7 of this Article. Within the meaning of this part, other loss of property supported by documents is the actual loss of property not mentioned in parts 2-5 of this Article.

7. In the case where no rates of technological loss of property supported by documents, mentioned in part 5 of this Article, have been defined, or where a rate has been exceeded, as well as in the case of other losses supported by documents, mentioned in part 6 of this Article, the relevant losses shall be deducted from the gross income:

- a. in the tax year of full or partial compensation of the loss in the case of full or partial voluntary compensation by the person having caused the damage;
- b. in the tax year of adoption of a decision by the investigation authority on the suspension or dismissal of a criminal case due to the failure to identify the person having caused the damage, in the case of adoption of such decision;
- c. in the tax year of delivery of a judicial act by the court on finding the person having caused the damage guilty or not guilty, in the case of entry into force of such act.

8. The procedure for documentation of losses prescribed by parts 3-6 of this Article shall be prescribed by the Government of the Republic of Armenia.

## **Article 123. Other deductions**

1. For the purpose of determining the tax base for resident profit taxpayers, as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia

through a permanent establishment, the following shall be deducted from the gross income:

(1) amounts included in the gross income for the purpose of determining the tax base for the previous reporting periods with respect to transactions recognised invalid;

(2) the following by profit taxpayers, as prescribed by the Government of the Republic of Armenia (except for cases prescribed by point 3 of this part):

- a. deductions made to the reserve for writing off bad accounts receivable;
- b. in the case of write-off of bad accounts receivable — amounts exceeding the deductions made to the reserve established for that purpose;
- c. repayment amounts of previously written off bad accounts payable;

(3) the following by banks, credit organisations, insurance companies and professional participants in the securities market as prescribed jointly by the authorised body of the Government of the Republic of Armenia and the Central Bank of the Republic of Armenia:

- a. deductions made to the reserve for writing off bad accounts receivable;
- b. in the case of write-off of bad accounts receivable — amounts exceeding the deductions made to the reserve established for that purpose;
- c. repayment amounts of previously written off bad accounts payable;

(4) tax damages incurred as a result of activities of the tax years preceding the tax year, as negative balance between the gross income prescribed by points 1 or 3 of part 1 of Article 104 of the Code and the deductions prescribed by Article 110 of the Code. Within the meaning of this point, tax damages shall be deducted from the gross income of the five tax years following the tax year when those damages were incurred, taking into account the following rules and restriction prescribed by this point:

- a. with respect to tax damages incurred as a result of activities of the five tax years (or some of them) preceding a given tax year, as regards the order of their deduction from the gross income, priority shall be given to the deductions for tax damages incurred earlier;
- b. with respect to tax damages incurred as a result of activities of the five tax years (or some of them) preceding the tax year, expenses and losses of a given tax year, as regards the order of their deduction from the gross income, priority shall be given to the deductions for the expenses and losses of that tax year;
- c. tax damages incurred as a result of activities carried out within the framework of special taxation systems prescribed by Section 13 of the Code shall not be subject to deduction from the gross income;
- d. before commencing activities within the framework of special taxation systems prescribed by Section 13 of the Code, in terms of deducting from the gross income — in the case of future transition from a special taxation system back to the common taxation system — tax damages incurred as a result of activities carried out within the framework of the common taxation system, the years of carrying out activities within the framework of special taxation systems shall also be included in the calculation for the next five tax years following the tax year when those damages were incurred;
- e. in the case of reorganisation of an organisation through division, tax damages incurred as a result of activities of the preceding five tax years shall be transferred to the newly established organisations equally, unless another amount is provided by the separation balance sheet;
- f. in the case of reorganisation of an organisation through separation, tax damages incurred as a result of activities of the preceding five tax years shall be deducted from the gross income of only that organisation from which the other organisation(s) has (have) separated (shall not be transferred to the separated organisation(s)), unless otherwise provided by the separation balance sheet;

g. pursuant to sub-points “e” and “f” of this point, when doing the calculation for the preceding five tax years for organisations having the right to deduction of tax damages, the tax years of existence of those tax damages before the division or separation shall be taken into account for the organisations being reorganised, which shall be mentioned in the separation balance sheet according to the tax years when the tax damages were incurred;

h. in the case of reorganisation of organisations through consolidation, tax damages incurred as a result of activities carried out during the preceding five tax years by the merged organisations shall not be deducted from the gross income of the newly established organisation;

i. in the case of reorganisation of organisations through absorption, tax damages incurred as a result of activities carried out during the preceding five tax years by the organisation(s) being absorbed shall not be deducted from the gross income of the organisation with which another organisation or other organisations have absorbed;

j. in the case of reorganisation of organisations through absorption, tax damages incurred as a result of activities carried out during the preceding five tax years by the organisation with which the other organisation(s) have absorbed shall not be deducted from the gross income of that organisation;

(5) the cost of the assets provided to, works performed for and/or services provided to libraries, museums, general education schools, boarding houses, nursing homes, orphanages, medical institutions, as well as to non-profit organisations, but not more than 0.25 percent of the gross income of the tax year;

(6) 150 percent of the sum of the salary and other equivalent fees, as well as of the total incomes derived from a civil law contract, calculated for each person with disabilities who is deemed a hired worker employed by the profit taxpayer (including those employed on a concurrent basis), or who performs works based on a civil law contract or provides services to the profit taxpayer based on a civil law contract,

irrespective of whether or not the salary and other equivalent fees have been deducted from the gross income for the purpose of determining the profit tax base;

(7) fees which are made by derivative financial instruments registered in the Unified Register of Derivative Financial Instruments in accordance with the procedure and within the time limits prescribed by the Law of the Republic of Armenia “On securities market” and which have formed as a result of the offsetting and/or netting liabilities. For the purpose of ensuring the application of this point, the procedure and time limits for providing information from the trade register to the tax authority and the extent of that information shall be prescribed by a joint legal act of the Central Bank of the Republic of Armenia and the tax authority.

2. For the purpose of determining the tax base for the resident profit taxpayer, dividends received shall also be deducted from the gross income.

**Article 124. Other deductions from the gross income made for the purpose of determining the tax base for banks, credit organisations, insurance companies and professional participants in the securities market**

1. The following shall also be deducted from the gross income for the purpose of determining the tax base for banks, credit organisations, insurance companies and professional participants in the securities market deemed to be resident organisations:

(1) amounts intended for reserves for possible losses of assets and/or investment securities of banks, credit organisations, insurance companies and professional participants in the securities market in accordance with the procedure prescribed jointly by the body authorised by the Government of the Republic of Armenia and the Central Bank of the Republic of Armenia;

(2) insurance and re-insurance indemnities;

- (3) expenses with regard to technical reserves of insurance companies, to the re-insurer's share in technical reserves;
- (4) the amount of losses suffered due to fake banknotes and payment documents.

## **Article 125. Profit tax rates**

1. Against the tax base for resident profit taxpayers, as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment (with respect to the tax base formed with regard to the incomes attributed to the permanent establishment), the profit tax shall be calculated at the rate of 20 percent, except for the cases prescribed by parts 2 and 3 of this Article and Article 128 of the Code. Within the meaning of the Code, it shall be deemed that incomes of non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment are attributed to the permanent establishment, where the accounting documents supporting those incomes have been issued by the permanent establishment, irrespective of whether or not the permanent establishment is indicated in the contracts concluded between the non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment and the other party to the transaction as an income receiver.
2. Against the tax base for investment funds (except for pension funds and guarantee funds) record-registered, having registered their rules in the Republic of Armenia, as well as for securitisation funds established on the basis of the Law of the Republic of Armenia "On asset securitisation and asset-backed securities", the profit tax shall be calculated at the rate of 0.01 percent.
3. Individual entrepreneurs and notaries carrying out activities within special taxation systems prescribed by Section 13 of the Code shall pay the profit tax for those types of activities in the amount of five thousand drams a month (irrespective of how many special taxation systems the individual entrepreneur or notary carries out activities in),

which shall be deemed for them a final profit tax liability with respect to those types of activities.

4. Against the tax base for non-resident profit taxpayers carrying out activities in the Republic of Armenia without a permanent establishment, the profit tax shall be calculated at the following rates:

- (1) five percent for incomes derived from insurance indemnities, re-insurance fees and transportation (freight);
- (2) ten percent for passive incomes, except for the cases prescribed by points 3 and 4 of this part;
- (3) zero percent for dividends received from the Panarmenian Bank;
- (4) zero percent for the increase in the value of assets derived from the alienation of securities;
- (5) 20 percent for other incomes derived from the sources of the Republic of Armenia.

5. Where the incomes of a non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment are not attributed to the permanent establishment, the profit tax against the tax base formed with regard to those incomes shall be calculated at the rates prescribed by part 4 of this Article. Within the meaning of the Code, it shall be deemed that incomes of non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment are not attributed to the permanent establishment, where the accounting documents supporting those incomes have not been issued by the permanent establishment, irrespective of whether or not the permanent establishment is indicated in the contracts concluded between the non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment and the other party to the transaction as an income receiver.

6. In the case of failure to receive, within 365 days following the day when the advance payment was made, the outcome against the advance fees made by resident profit taxpayers, as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, to an organisation registered (record-registered) in the offshore zones (countries), prescribed by the Government of the Republic of Armenia, to obtain goods from organisations registered (record-registered) in those zones (countries), the advance payment, on the 366<sup>th</sup> day following the day when it was made, shall be deemed for that organisation to be other income derived from the sources of the Republic of Armenia, against which the profit tax shall be calculated at the rate prescribed by point 5 of part 4 of this Article.

## **CHAPTER 23**

### ***PROFIT TAX BENEFITS***

#### **Article 126. Exemption from the payment of profit tax**

1. Profit taxpayers engaged in the production of agricultural products shall be exempt from paying profit tax for the tax years included until 31 December 2024, inclusive, for the income derived from the sale of agricultural products thereby, as well as for incomes derived from the sale of other assets or for other incomes, where the share of the income derived from the sale of other assets and of the other incomes in the gross income for the respective tax year does not exceed ten percent. Where the share of incomes derived from the sale of other assets and of the other incomes in the gross income for the respective tax year exceeds ten percent, the benefit provided for by this part shall apply only with respect to the income derived from the sale of agricultural products. Within the meaning of this part:

(1) agricultural products shall mean products produced for final or intermediate consumption, through biological processing of animals and plants, in particular:



- a. crops of cereal grains and cereal grain peas;
- b. technical crops;
- c. root and tuber, vegetable, melon and gourd crops and products of covered soil;
- d. forage crops of field cultivation;
- e. other products of forage production;
- f. products of gardens, vineyards, perennials plants and floriculture;
- g. seeds of trees and bushes, fruit seeds;
- h. seedlings of trees and bushes;
- i. plantings of trees and bushes;
- j. products of cattle breeding;
- k. products of swine breeding;
- l. products of sheep breeding and goat breeding;
- m. products of poultry breeding;
- n. products of horse breeding, donkey breeding and mule breeding;
- o. products of deer breeding and camel breeding;
- p. products of rabbit breeding, fur animal breeding and hunting economies;
- q. products of fish breeding, apiculture, silkworm cultivation, artificial insemination;

(2) it is impossible to make an accurate calculation of the income derived from agricultural products for the tax years included until 31 December 2024, inclusive, it shall be calculated based on the estimated net income data calculated in accordance with the cadastral valuation procedure prescribed by Annex 2, which is a constituent part of this Code.

2. The Armenian Deposit Guarantee Fund prescribed by the Law of the Republic of Armenia “On guaranteeing compensation of bank deposits of natural persons” shall be exempt from paying profit tax for the following incomes:

(1) regular, lump sum and additional guarantee fees paid by commercial banks in accordance with the procedure prescribed by the Law of the Republic of Armenia “On guaranteeing compensation of bank deposits of natural persons”;

(2) amounts compensated to natural persons by the Fund and received from banks based on claims acquired against the banks;

(3) incomes derived from investments in the following assets:

a. state securities of the Republic of Armenia;

b. those invested as bank deposits and/or bank accounts in the Central Bank of the Republic of Armenia and top foreign banks with high ratings;

c. securities of the Central Bank of the Republic of Armenia;

d. standard gold bullions;

e. securities of governments and/or Central Banks of countries with high ratings;

e. securities of governments and/or Central Banks of countries with high ratings;

f. other financial assets, by the decision of the Board of Trustees of the Fund and upon the consent of the Board of the Central Bank of the Republic of Armenia.

3. The Bureau established on the basis of the Law of the Republic of Armenia “On compulsory motor vehicle liability insurance” shall be exempt from paying profit tax for all fees made to the Guarantee Fund (hereinafter referred to as “Guarantee Fund”) established within the Bureau pursuant to that Law, as well as for all other amounts generated for the Guarantee Fund, including those generated from incomes generated from investments made from the funds of the Guarantee Fund.

4. The Panarmenian Bank shall be exempt from paying profit tax.

5. Non-resident profit taxpayers shall be exempt from paying profit tax for incomes derived in the form of interests from foreign currency state bonds of the Republic of Armenia or in the form of a discount made at the time of repayment of said bonds, as well as for incomes derived from the alienation of said bonds, their exchange with other securities or other similar transactions.
6. Profit taxpayers engaged in the production of hand-made carpets shall be exempt from paying profit tax for the income derived from the sale of hand-made carpets.
7. Profit taxpayers deemed operators of a free economic zone shall be exempt from paying profit tax for the income derived from activities carried out in the free economic zone established in the territory of the Republic of Armenia.

#### **Article 127. Deduction of profit tax**

1. For resident taxpayers implementing a business plan approved by the decision of the Government of the Republic of Armenia (except for resident profit taxpayers carrying out activities in the trade or financial sector or enjoying the benefit prescribed by Article 128 of the Code), the amount of the profit tax for the year of launching the business plan and for the following five tax years shall be deducted in the amount of 100 percent of the additional salaries and equivalent fees calculated during the relevant tax year for new jobs created within the framework of the business plan, but not more than in the amount of 30 percent of the actual profit tax calculated for the relevant tax year.
2. The procedure for approving business plans and calculating additional salaries prescribed by part 1 of this Article shall be prescribed by the Government of the Republic of Armenia.
3. For resident profit taxpayers, the amount of the profit tax for a reporting year shall be deducted in the amount of incomes not received (received less) due to

providing citizens of separate groups with services at discounted rates or free of charge in the cases prescribed by law or, if so prescribed by law, by the decision of the Government of the Republic of Armenia, except:

- (1) where the Law of the Republic of Armenia on State Budget for the reporting year prescribes subsidy allocations for the resident profit taxpayer;
- (2) where the resident profit taxpayer has been given the right to render such services based on an appropriate procedure for licensing or notifying or holding a tender and it has been stipulated in the terms of the license or notification or tender that tax damages emerged due to providing citizens of separate groups with services at discounted tariffs or free of charge in the cases prescribed law or, if so prescribed by law, by the decision of the Government of the Republic of Armenia, shall not be subject to compensation.

#### **Article 128. Deducted profit tax rates**

1. The amount of the profit tax for resident taxpayers implementing a plan approved by the Government of the Republic of Armenia and for other resident profit taxpayers of the Republic of Armenia included in that plan (hereinafter referred to as “group of resident profit taxpayers”) shall be calculated against the tax base at deducted profit tax rates prescribed by part 2 of this Article, where the group of resident profit taxpayers concurrently meets all the following conditions:

- (1) in the group of resident profit taxpayers there are no resident profit taxpayers carrying out activities in one of the following sectors: extraction and/or processing of minerals, processing and/or sale of precious stones, production and/or sale of jewellery, production and/or sale of precious metals, production and/or sale of excisable goods;

(2) the sum of the customs value of goods exported from the territory of the Republic of Armenia through the customs procedure “Export” to states not deemed EAEU members and/or exported from the territory of the Republic of Armenia to EAEU member states, of the value of works performed for non-resident organisations outside the territory of the Republic of Armenia and/or of services provided to non-resident organisations outside the territory of the Republic of Armenia by the group of resident profit taxpayers during the tax year (or, in the case of approval of the plan by the Government of the Republic of Armenia during the tax year, within the period from the day of entry into force of the relevant decision of the Government of the Republic of Armenia to the end of the tax year) is at least AMD 40 billion, within the scope whereof, during each tax year of the implementation of the plan, the group of profit taxpayers shall ensure the minimum amount of the customs value — prescribed by the Government of the Republic of Armenia — of goods exported from the territory of the Republic of Armenia through the customs procedure “Export” to states not deemed EAEU members and/or exported from the territory of the Republic of Armenia to EAEU member states. The value of works performed for non-resident organisations outside the territory of the Republic of Armenia and/or of services provided to non-resident organisations outside the territory of the Republic of Armenia within the framework of the plan implemented by a group of resident profit taxpayers which carries out activities in the sector of construction and/or construction installation works and services exclusively outside the territory of the Republic of Armenia shall also be included in the calculation of the minimum amount of AMD 40 billion prescribed by this point, but the condition of the minimum amount of AMD 40 billion prescribed by this point for the value of works performed and/or services provided shall not apply, for the purpose of applying the profit tax rate deduction benefit prescribed by this Article, with respect to the plan implemented by the group of resident profit taxpayers which carries out activities in the sector of construction and/or construction installation works and services exclusively outside the territory of the Republic of Armenia;

(3) during the tax year (or, in the case of approval of the plan by the Government of the Republic of Armenia during the tax year, within the period from the day of entry into force of the relevant Decision of the Government of the Republic of Armenia to the end of the tax year), foreign currency equivalent to at least AMD 40 billion in total has been credited, due to activities relating to the plan, to the bank accounts of taxpayers included in the group of resident profit taxpayers opened with banks deemed a resident organisation. The foreign currency credited due to activities relating to the plan implemented by a group of resident profit taxpayers which carries out activities in the sector of construction and/or construction installation works and services exclusively outside the territory of the Republic of Armenia shall also be included in the calculation of the minimum amount of AMD 40 billion prescribed by this point, but the condition of the minimum amount of foreign currency credited due to activities relating to the plan shall not apply, for the purpose of applying the profit tax rate deduction benefit prescribed by this Article, with respect to the plan implemented by the group of resident profit taxpayers which carries out activities in the sector of construction and/or construction installation works and services exclusively outside the territory of the Republic of Armenia;

(4) profit taxpayers included in the group of resident profit taxpayers do not have incomes derived from supplying goods, performing works or providing services (except for the interest income received from a non-resident organisation or non-resident natural persons for a granted loan, as well as for the income derived from the purchase and sale of securities and/or income derived from securities) in the territory of the Republic of Armenia during the tax year (or, in the case of approval of the plan by the Government of the Republic of Armenia during the tax year, within the period from the day of entry into force of the relevant Decision of the Government of the Republic of Armenia to the end of the tax year).

2. The amount of the profit tax for a taxpayer included in a group of resident profit taxpayers concurrently meeting all the conditions prescribed by part 1 of this Article shall be calculated against the tax base:

(1) at the rate of five percent, where the sum of the customs value of goods exported from the territory of the Republic of Armenia through the customs procedure “Export” to states not deemed EAEU members and/or exported from the territory of the Republic of Armenia to EAEU member states, of the value of works performed for non-resident organisations outside the territory of the Republic of Armenia and/or of services provided to non-resident organisations outside the territory of the Republic of Armenia by the group of resident profit taxpayers during the tax year is at least AMD 40 billion;

(2) at the rate of two percent, where the sum of the customs value of goods exported from the territory of the Republic of Armenia through the customs procedure “Export” to states not deemed EAEU members and/or exported from the territory of the Republic of Armenia to EAEU member states, of the value of works performed for non-resident organisations outside the territory of the Republic of Armenia and/or of services provided to non-resident organisations outside the territory of the Republic of Armenia by the group of resident profit taxpayers during the tax year is at least AMD 50 billion;

(3) at the rate of five percent, where the group of resident profit taxpayers carries out activities in the sector of construction and/or construction installation works and services exclusively outside the territory of the Republic of Armenia, except for cases prescribed by point 2 of this part.

3. The procedure for approving the plans prescribed by this Article shall be prescribed by the Government of the Republic of Armenia.

## CHAPTER 24

### *CALCULATION OF PROFIT TAX*

#### **Article 129. Reporting period**

1. With regard to resident profit taxpayers, contractual investment funds (except for pension funds and guarantee funds) record-registered, having registered their rules in the Republic of Armenia, as well as to non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, each reporting year shall be deemed a reporting period for the calculation and payment of the profit tax.

#### **Article 130. Procedure for calculation of the amount of the profit tax subject to payment to the State Budget**

1. In accordance with the results of the activities of the reporting period, resident profit taxpayers shall pay to the State Budget the positive balance of the profit tax amounts — calculated against the profit tax base relating to that reporting period at the respective rate prescribed by part 1 of Article 125 or part 2 of Article 128 of the Code — and the amounts deductible from the profit tax. Within the meaning of this part, the following shall mean amounts deductible from the profit tax:

- (1) advance profit tax fees made in accordance with the procedure and in the amount prescribed by Article 135 of the Code;
- (2) the amounts of profit tax collected in foreign states or of another tax calculated against the profit, prescribed by Article 20 of the Code;
- (3) amounts deductible from the profit tax, prescribed by parts 1 and 3 of Article 127 of the Code.



2. In accordance with the results of the activities of the reporting period, investment funds (except for pension funds and guarantee funds) record-registered, having registered their rules in the Republic of Armenia, shall pay to the State Budget the profit tax amounts calculated against the tax base relating to that period, at the rate prescribed by part 2 of Article 125 of the Code.

3. In accordance with the results of the activities of the reporting period, non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment (with respect to the tax base formed with regard to the incomes attributed to the permanent establishment) shall pay to the State Budget the positive balance of the profit tax amounts — calculated against the profit tax base relating to that reporting period at the rate prescribed by part 1 of Article 125 of the Code — and the amounts deductible from the profit tax. Within the meaning of this part, the following shall mean amounts deductible from the profit tax:

(1) advance profit tax fees made in accordance with the procedure and in the amount prescribed by Article 135 of the Code;

(2) profit tax amounts calculated and withheld by a tax agent at the rates prescribed by part 4 of Article 125 of the Code and as prescribed by Article 132 of the Code with respect to the tax base formed from the incomes paid to a non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment and attributed to the permanent establishment.

4. The profit tax amounts calculated and withheld by a tax agent at the rates prescribed by part 4 of Article 125 of the Code and as prescribed by Article 132 of the Code with respect to the tax base formed with regard to the incomes paid to non-resident profit taxpayers carrying out activities in the Republic of Armenia without a permanent establishment, as well as to the tax base formed with regard to the incomes paid to non-resident profit taxpayers carrying out activities in the Republic of Armenia

through a permanent establishment, shall be deemed final amounts of profit tax subject to payment to the State Budget.

5. In accordance with the results of the activities of the reporting period, non-resident profit taxpayers carrying out activities in the Republic of Armenia without a permanent establishment — as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment with respect to the incomes not attributed to the permanent establishment — shall pay to the State Budget the profit tax amounts calculated at the respective rate prescribed by part 4 of Article 125 of the Code against the tax base formed with regard to the incomes received by those not deemed tax agents.

**Article 131. Procedure for calculating the amount of the profit tax subject to compensation from the State Budget**

1. In accordance with the results of the activities of the reporting period, the amount of the profit tax subject to compensation from the State Budget to resident profit taxpayers, as well as to non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, shall be calculated as a negative balance of the profit tax amounts calculated against the tax base relating to the reporting period at the rate prescribed by part 1 of Article 125 or part 2 of Article 128 of the Code and the amounts deductible from the profit tax, prescribed respectively by part 1 or part 3 of Article 130 of the Code.

**Article 132. Calculating and withholding the profit tax by a tax agent**

1. With respect to the tax base formed from the incomes paid to non-resident profit taxpayers, the profit tax shall be calculated and withheld by the tax agent, based on the rates prescribed by part 4 of Article 125 of the Code, where:

(1) incomes are paid to the non-resident profit taxpayer carrying out activities in the Republic of Armenia without a permanent establishment;

(2) incomes are paid to the non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, but those incomes are not attributed to the permanent establishment.

2. Within the meaning of this Article, the profit taxable object shall be recorded (tax calculation shall be carried out) by the cash basis accounting method. In particular, the following shall be deemed to be payment of income serving as a basis for tax calculation:

(1) cash or non-cash monetary fees, including fees made in parts, irrespective of whether or not the right to received the income has emerged;

(2) compensation with other property;

(3) mutual offsetting (repayment) of receivables and payables;

(4) debt restructuring or renewal;

(5) concession of the right to claim income against a tax agent to a person who is not a tax agent;

(6) release of income claims;

(7) adoption of a decision on distribution of dividends prescribed by point 5 of part 3 of Article 109 of the Code or expiration of the period prescribed by the same point.

3. Where due to a failure to complete the relevant transaction, cash or non-cash monetary fees, prescribed by point 1 of part 2 of this Article, are returned:

(1) before the actual submission, by the tax agent, of the calculation report, for the reporting period covering the day when those fees were made, on incomes paid to non-resident profit taxpayers, amounts calculated and withheld from those incomes and paid to the State Budget in the previous reporting quarter, as prescribed by part 2

of Article 134 of the Code, but not later than the deadline for submission of such calculation report, prescribed by part 2 of Article 134 of the Code, it shall be deemed that no income has been paid to the non-resident profit taxpayer;

(2) after the submission, by the tax agent, of the calculation report, for the reporting period covering the day when those fees were made, on incomes paid to non-resident profit taxpayers, amounts calculated and withheld from those incomes and paid to the State Budget in the previous reporting quarter, as prescribed by part 2 of Article 134 of the Code, the tax agent may submit a verified calculation report to the tax authority in accordance with the general procedure prescribed by the Code.

4. The profit tax for the dividends paid to non-resident profit taxpayers shall be calculated and withheld by the tax agent based on the rates prescribed by part 4 of Article 125 of the Code, irrespective of whether or not the dividends received have been attributed to the permanent establishment.

**Article 133. Special aspects of profit tax calculation for non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment**

1. Non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment shall be obliged to conduct separated accounting of the incomes and expenses attributed to the permanent establishment.

2. 2. When determining the tax base for the non-resident profit taxpayer carrying out activities in the Republic of Armenia through a permanent establishment, only the expenses (including those made outside the Republic of Armenia), in the supporting settlement documents whereof the relevant data on the permanent establishment is mentioned as data relating to the person acquiring the product, accepting the work and/or service, prescribed by point 10 of part 4 of Article 55 of the Code, shall be deducted from the gross income.

#### **Article 134. Submission of profit tax calculation reports**

1. Resident profit taxpayers, contractual investments funds (except for pension funds and guarantee funds) record-registered, having registered their rules in the Republic of Armenia, as well as non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, shall submit to the tax authority a profit tax calculation report by April 20, inclusive, of the tax year following the reporting period, as prescribed by Article 53 of the Code. The profit tax calculation report, prescribed by this part, submitted to the tax authority by non-resident profit taxpayers carrying out activities in the Republic of Armenia through a permanent establishment, shall also include the tax base formed with regard to incomes not attributed to the permanent establishment and the profit tax amount calculated as prescribed by part 5 of Article 130 of the Code.
2. Tax agents shall — until 20<sup>th</sup>, inclusive, of the month following each reporting quarter — submit to the tax authority, as prescribed by Article 53 of the Code, a calculation report on incomes paid to non-resident profit taxpayers, amounts calculated and withheld from those incomes and paid to the State Budget in the previous reporting quarter.
3. In the case of absence of a tax agent, non-resident profit taxpayers carrying out activities in the Republic of Armenia without a permanent establishment shall — until April 20, inclusive, of the tax year following each reporting period — submit profit tax calculation reports to the tax authority at the place of record-registration of the Central Treasury of the Ministry of Finance of the Republic of Armenia, as prescribed by Article 53 of the Code.

## CHAPTER 25

### ***PROCEDURE FOR PAYING PROFIT TAX AMOUNT AND CREDITING IT TO UNIFIED ACCOUNT***

#### **Article 135. Advance fees of profit tax**

1. A resident profit taxpayer and a non-resident profit taxpayer carrying out activity in the Republic of Armenia through a permanent establishment shall be obliged to make advance fees of profit tax (except for the cases prescribed by part 7 of this Article) for each quarter of the current tax year prior to and including the twentieth day of the last month of the given quarter, in the amount of 20 percent of the profit tax amount of the preceding tax year where the given taxpayer has not chosen in the manner prescribed by part 4 of this Article the alternative method of making advance fees of profit tax prescribed by the same part.

2. For the purpose of calculation of the advance fees of profit tax, the profit tax amount of the preceding tax year prescribed by part 1 of this Article shall not include (shall be deducted from that amount):

(1) the settlement shares of the profit tax included in the amounts of the turnover or patent tax calculated within the framework of special tax systems prescribed by Section 13 of the Code;

(2) the amounts of profit tax, from which profit taxpayers are exempted in the cases prescribed by Article 126 of the Code;

(3) the amounts of profit tax, which are deducted in the cases prescribed by parts 1 and 3 of Article 127 of the Code;

(4) the amounts of profit tax levied in foreign states or other tax calculated from profit prescribed by Article 20 of the Code;

(5) the amounts of profit tax revealed through the inspection or re-inspection by the tax authority during the preceding tax year (regardless of the fact which tax years they refer to).

3. Prior to calculation of the amount of the profit tax of the preceding tax year (prior to submitting the profit tax calculation report for the preceding tax year to the tax authority), the taxpayers referred to in part 1 of this Article shall each time make the advance fees of the profit tax in an amount not less than that of the last advance payment of the preceding tax year, except for the cases prescribed by part 4 of this Article. At the time of making the first advance payment as prescribed by part 1 of this Article after calculating the amount of profit tax for the preceding tax year (after submitting the profit tax calculation report to the tax authority), the amounts of the advance fees made during the given tax year prior to submitting the profit tax calculation report shall be verified in total amounts accruing from the beginning of the tax year and in the amounts referred to in point 1 of this Article.

4. The resident profit taxpayer and the non-resident profit taxpayer carrying out activity in the Republic of Armenia through a permanent establishment shall make the advance fees of profit tax for each quarter of the current tax year in the amount of two percent of the incomes received from supply of goods, performance of works and/or provision of services during the preceding quarter where they have submitted to the tax authority a declaration in the form prescribed by the tax authority on choosing the alternative method of making advance fees of profit tax, prior to the twentieth of March of the current tax year inclusive. Within the meaning of this Article, the value of the incomes received from supply of goods, performance of works and/or provision of services during the preceding quarter shall be determined by the total amount of the tax base of VAT taxable and VAT non-taxable transactions, submitted to the tax authority for the months included in the preceding quarter and reflected in the unified calculation reports of VAT and excise tax prescribed by Article 75 of the Code. Within the meaning of this part:

(1) the added or reduced amounts of incomes received from supply of goods, performance of works and/or provision of services during the preceding quarter given the change in the total amount of the tax base of VAT taxable and VAT non-taxable transactions reflected in the unified calculation reports of VAT and excise tax (including in case of submitting unified calculation report or verified calculation report of VAT and excise tax for any reporting month of the quarter), shall serve a ground for submitting that calculation report or calculating the value of the next advance payment following the day of submitting the verified calculation report;

(2) the tax base of VAT taxable and VAT non-taxable transactions reflected in the unified calculation reports of VAT and excise tax submitted to the tax authority for the months included in the previous quarter based on the results of the inspection or re-inspection carried out by the tax authority, shall not be re-calculated.

5. The taxpayers who have received state registration (have been record-registered, in the cases prescribed by law) during the tax year or taxpayers who have been appointed as a notary, shall not make advance fees of profit tax for the quarters of the tax year of state registration (record-registration, in cases prescribed by law) or appointment as a notary respectively, and the taxpayers who were not considered VAT payers during the previous tax year and those considered VAT payers during the current tax year — for the quarters of the current tax year where they have not chosen the alternative method of making advance fees of profit tax prescribed by part 4 of this Article. Where the taxpayers referred to in this part have chosen the alternative method of making advance fees of profit tax prescribed by part 4 of this Article, the advance payment of profit tax for the first time shall be made:

(1) for the quarter including the day of submitting the declaration where it is submitted by the twentieth day of the last month of the given quarter inclusive;

(2) for the quarter following the one including the day of submitting the declaration where it has been submitted after the twentieth day of the last month of the given quarter, prior to the last day of the last month of the given quarter inclusive.



6. Where the taxpayers have not considered themselves VAT payers in violation of the requirements of Article 59 of the Code but were considered to be such based on the results of the control exercised by the tax authority, the advance payment of the profit tax for the first time shall be made for the first quarter of the tax year following the tax year including the day of submitting the inspection act or other document to the taxpayer, where the taxpayer is considered a VAT payer during the given tax year according to Article 61 of the Code.

7. The taxpayers, who has submitted to the tax authority a declaration in the form approved by the tax authority

(1) on terminating their activity for an indefinite term starting from a certain day, may not make the advance fees of the profit tax for the complete quarters included in the period from the day of terminating the activity (but not earlier than the day of submitting the declaration on terminating the activity) referred to in the declaration until the day of resuming the activity (but not earlier than the day of submitting the declaration on resuming the activity) referred to in the declaration submitted in the form approved by the tax authority;

(2) on terminating their activity for a definite term starting from a certain day, may not make the advance fees of the profit tax for the complete quarters included in the period from the day of terminating the activity referred to in the declaration (but not earlier than the day of submitting the declaration on terminating the activity) until the day of resuming the activity referred to in the declaration.

8. During the tax year

(1) in case of the reorganisation of the organisation through division, each of the newly-created organisations may make the advance payment of the profit tax for the quarters of the tax year including the state registration day of the reorganisation as prescribed by part 5 of this Article;

(2) in case of the reorganisation of the organisation through separation, the organisation from which another organisation or organisations has/have been separated, shall, regardless of the fact of the reorganisation, continue making the advance fees of the profit tax as prescribed by this Article, while the separated organisation or organisations may make advance fees of the profit tax for the quarters of the tax year including the state registration day of the reorganisation, as prescribed by part 5 of this Article;

(3) in case of the reorganisation of the organisation through consolidation, the newly-created organisation may make advance payment of the profit tax for the quarters of the tax year including the state registration day of the reorganisation as prescribed by part 5 of this Article;

(4) in case of the reorganisation of the organisation through absorption, the organisation which has been joined by another organisation or organisations, shall, regardless of the fact of the reorganisation, continue making advance fees of the profit tax as prescribed by this Article.

#### **Article 136. Payment of profit tax amount**

1. The resident profit taxpayers and contractual investment funds (except for pension funds and guarantee funds) which are record-registered and have registered their rules in the Republic of Armenia, as well as non-resident profit taxpayers carrying out activity in the Republic of Armenia through a permanent establishment shall pay the profit tax amounts subject to payment to the State Budget prior to and including the twentieth of April of the tax year following the given tax year, as prescribed by parts 1-3 of Article 130 of the Code accordingly.

2. Tax agents shall pay the profit tax amounts calculated and withheld in the manner prescribed by Article 132 of the Code — to the State Budget prior to and including the

twentieth day of the month following the quarter of paying the incomes to the non-resident profit taxpayer.

3. In the absence of the tax agent, the non-resident profit taxpayers carrying out activity in the Republic of Armenia without a permanent establishment, as well as the non-resident profit taxpayers carrying out activity in the Republic of Armenia through a permanent establishment — with respect to the tax base formed with regard to the incomes not attributable to a permanent establishment, shall pay to the State Budget the profit tax amounts calculated in the manner prescribed by parts 4 and 5 of Article 130, subject to payment to the State Budget, prior to the twentieth of April of the tax year following the given tax year inclusive.

4. Individual entrepreneurs and notaries carrying out activity in special tax systems shall pay the profit tax prescribed by part 3 of Article 125 of the Code with respect to those types of activities for each month prior to the twentieth of April of the tax year following the given tax year inclusive.

**Article 137. Peculiarities of payment of profit tax amount by resident taxpayers undergoing insolvency and/or liquidation procedures**

1. According to the legislation regulating the insolvency of banks, credit organisations, insurance companies and specialised persons of securities market, the bank, the credit organisation, the insurance company or the specialised person of securities market may suspend the fees of profit tax (including the advance fees of the profit tax prescribed by Article 135 of the Code) from the day the court decision on the liquidation and appointment of the liquidation manager enters into force until it is the turn to satisfy the requirements of the State Budget in accordance with the order of satisfaction of the creditors' claims prescribed by law.

2. According to the legislation regulating the insolvency of the resident profit taxpayers not referred to in part 1 of this Article, the resident profit taxpayer (except for the taxpayers prescribed by part 1 of this Article) may suspend the fees of the profit tax (including the advance fees of the profit tax prescribed by Article 135 of the Code) from the day the court decision on the liquidation of the profit taxpayer enters into force until it is the turn to satisfy the requirements of the State Budget in accordance with the order of satisfaction of the creditors' claims prescribed by law.

3. The bank, the credit organisation, the insurance company or the specialised person of securities market being liquidated without the procedure of insolvency, may, according to the legislation regulating the liquidation procedure, suspend the fees of profit tax (including the advance fees of the profit tax prescribed by Article 135 of the Code) from the day of granting the permission for liquidation by the Board of the Central Bank of the Republic of Armenia until it is the turn to satisfy the requirements of the State Budget in accordance with the order of satisfaction of the creditors' claims prescribed by law.

4. The resident profit taxpayer being liquidated without the procedure of insolvency (except for the profit taxpayers prescribed by part 3 of this Article) may suspend the fees of the profit tax (including the advance fees of the profit tax prescribed by Article 135 of the Code) from the day the decision on liquidation enters into force until it is the turn to satisfy the requirements of the State Budget in accordance with the order of satisfaction of the creditors' claims prescribed by law.

#### **Article 138.            Crediting the profit tax amount to unified account**

1. The profit tax amounts prescribed by Article 131 of the Code and subject to compensation from the State Budget shall be credited to the unified account in the manner and within the time limits prescribed by the Code with regard to tax administration.

2. The profit tax amounts paid in excess of the amount prescribed by the Code shall be credited to the unified account in the manner and within the time limits prescribed by the Code with regard to tax administration.

## **SECTION 7**

### **INCOME TAX**

## **CHAPTER 26**

### ***INCOME TAX AND TAXPAYERS***

#### **Article 139. Income tax**

1. Income tax is a state tax paid to the State Budget in the manner, amount and within the time limits prescribed by the Code for a taxable object prescribed by Article 141 of the Code.

#### **Article 140. Income taxpayers**

1. Resident and non-resident natural persons shall be deemed to be income taxpayers.

2. Individual entrepreneurs and notaries — as natural persons — shall be deemed to be income taxpayers only in respect of their personal incomes.

## CHAPTER 27

### ***OBJECTS TAXABLE BY INCOME TAX, TAX BASE AND RATES***

#### **Article 141. An object taxable by income tax**

1. The following shall be considered an object taxable by income tax:

(1) for resident natural persons — the gross income derived from the sources of and/or outside the Republic of Armenia, except for the entrepreneurial incomes of individual entrepreneurs record-registered in the Republic of Armenia and notaries;

(2) for non-resident natural persons — the gross income derived from the sources of the Republic of Armenia, except for the incomes attributable to a permanent establishment of non-resident natural persons carrying out activity in the Republic of Armenia through a permanent establishment and/or deriving income from the sources of the Republic of Armenia through a permanent establishment, as well as incomes derived from the foreign economic activity. Within the meaning of this point, the foreign economic activity shall be understood by the meaning prescribed by point 1 of part 2 of Article 108 of the Code.

#### **Article 142. Accounting methods of an object taxable by income tax**

1. Within the meaning of this Section, the record-keeping of the income taxable object shall be carried out (the tax shall be calculated) according to the following methods:

(1) accrual basis accounting method in respect of the salary and other fees equivalent thereto subject to calculation;

(2) cash basis accounting method in respect of passive incomes;

- (3) cash basis accounting method in respect of the incomes derived from the performance of works and/or the provision of services within the framework of civil law contracts;
- (4) cash basis accounting method in respect of temporary incapacity and maternity benefits prescribed by the Law of the Republic of Armenia “On temporary incapacity and maternity benefits”;
- (5) cash basis accounting method in respect of the incomes not referred to in points 1-4 of this part.

**Article 143.           Income tax base**

1. The following shall be considered to be an income tax base:

- (1) for resident natural persons — taxable income, which is determined as a positive difference of the gross income prescribed by point 1 of part 1 of Article 141 of the Code and deducted incomes prescribed by Article 147 of the Code;
- (2) for non-resident natural persons — taxable income, which is determined as a positive difference of the gross income prescribed by point 2 of part 1 of Article 141 of the Code and deducted incomes prescribed by Article 147 of the Code.

**Article 144.           Sources of incomes**

1. The following shall be considered incomes derived from the sources of the Republic of Armenia:

- (1) the salary and other fees equivalent thereto received within the framework of employment contracts concluded with resident taxpayers and/or non-resident profit taxpayers carrying out activity in the Republic of Armenia through a permanent establishment;

- (2) the incomes derived within the framework of civil law contracts concluded with resident taxpayers and/or non-resident profit taxpayers carrying out activity in the Republic of Armenia through a permanent establishment;
  - (3) passive incomes, in cases prescribed by part 3 of Article 107 of the Code;
  - (4) other incomes, in cases prescribed by part 5 of Article 107 of the Code.
2. Where it is not possible to attribute other incomes prescribed by point 4 of part 1 of this Article to the sources outside the Republic of Armenia, those incomes shall be deemed to be fully derived from the sources of the Republic of Armenia.
3. The incomes, which are not considered incomes derived from the sources of the Republic of Armenia according to parts 1 and 2 of this Article, shall be deemed to be incomes derived from the sources outside the Republic of Armenia.

#### **Article 145. Peculiarities of record-keeping of separate types of income**

1. For the purpose of determining the income tax base
- (1) where a natural person considered a constructor of a multi-apartment (including multi-functional) building, subdivided building, private residential house in residential areas or complexes alienates to another natural person a building, the apartments and constructions (including unfinished and semi-constructed) thereof, residential or other premises, the income derived from the alienated building or premise (without non-residential premises considered common shared ownership) shall be calculated based on the actual price of the transaction, while in the absence of the transaction price or where the transaction price is lower than the immovable property tax base determined as prescribed by Article 228 of the Code — in the amount of the immovable property tax base determined as prescribed by Article 228 of the Code;
  - (2) the income derived from the alienation of the property pledged in a bank or a credit organisation shall be calculated as prescribed by Article 146 of the Code.



**Article 146.           Income derived from the alienation of the pledged property**

1. Where the property pledged by a natural person (including a natural person deemed an individual entrepreneur or a notary, where as a pledgor they act as a natural person not deemed an individual entrepreneur or a notary) passes to the pledgee bank or credit organisation by the right of ownership as a result of the confiscation thereof (including in the case of compulsory purchase or transfer or purchase or transfer through insolvency auction), the positive difference of the alienation price of the pledged property and the loan obligation shall be deemed to be the income derived from the alienation of the property of the pledgor, who is a natural person, except for the cases prescribed by part 2 of this Article.

2. Where the property is alienated to the former owner of the property (whose property has been confiscated) or to the owner's legal successor within six months after taking the pledged property, passed to the ownership of the bank or the credit organization, under the ownership of the bank or the credit organisation (including property received for a debt), it shall be deemed that the pledgor has not derived income from the alienation of the property.

3. The following shall be considered the day of the payment to the natural person of the incomes derived from the alienation of the pledged property passed to the ownership of the bank or the credit organisation as a result of confiscation in extrajudicial procedure, and the alienation price:

(1) the day of the further alienation of that property by the bank or the credit organisation and the alienation price, where the alienation has taken place within six months after taking the ownership over the property. Moreover, where the property has been alienated at a price considered unreasonably lower than the market price as of the day of the alienation, the market price of that property as of the day of the alienation thereof shall be deemed to be the alienation price of the property;

(2) the last day of the six-month period following the day of taking the ownership over the property and the market price as of that day, where the property has not been alienated within that six-month period. Moreover, the bank or the credit organisation shall be obliged to ensure at their own expense the determination of the market price of the property by an independent appraiser.

4. Where within the framework of a civil, a criminal, a bankruptcy or an administrative case to which the former owner of the confiscated property or the owner's successor is a party, a lien is put on the given property passed to the ownership of the bank or the credit organisation, the running of the six-month period prescribed by this Article shall be suspended for the entire period of being under lien.

5. The bank or the credit organisation and the pledgor, who is a natural person, may agree that within the meaning of part 3 of this Article the day of passing the alienated property to the ownership of the bank or the credit organisation and the market price as of that day determined by an independent appraiser shall be considered to be the day of the payment to the natural person of the incomes as a result of the alienation of the pledged property, and the alienation price. The agreement prescribed by this part shall be concluded in writing.

6. Within the meaning of this Article, the obligation (including interests, default penalty, the damages caused due to the default of the fulfilment period) secured by a pledge as of the day of passing the pledged property to the ownership of the bank or the credit organisation, as well as the expenses made or to be made by the pledgee for maintaining, safekeeping, confiscating and alienating the pledged property, which do not exceed 15 percent of the alienation price of the pledged property, shall be deemed to be a loan obligation.

**Article 147. Deducted incomes (deductions)**

1. The following shall be considered incomes deducted for the purpose of determining the tax base:

(1) the amounts of the benefits received according to the legislation of the Republic of Armenia, except for the amounts of temporary incapacity and maternity benefits of hired employees and self-employed natural persons prescribed by the Law of the Republic of Armenia “On temporary incapacity and maternity benefits”;

(2) all types of pensions received according to the legislation of the Republic of Armenia (including the funded pensions received within the framework of the funded component according to the Law of the Republic of Armenia “On funded pensions”), except for the pensions received in the prescribed manner within the framework of the contribution to the voluntary pension component;

(3) the voluntary pension contributions made within the framework of the voluntary pension component according to the legislation of the Republic of Armenia — by natural persons for themselves and/or those made by a third party (including employer) for a natural person, in the amount not exceeding 5 percent of the tax base of the natural person;

(4) the insurance compensations, except for the compensations (including pensions) received in the prescribed manner at the expense of the voluntary pension contributions made within the framework of the voluntary pension component according to the legislation of the Republic of Armenia — by natural persons for themselves and/or those made by a third party (including employer) for a natural person;

(5) the additional funds allocated from the State Budget of the Republic of Armenia for (in favour of) a natural person within the framework of the funded pension component according to the Law of the Republic of Armenia “On funded pensions”;

(6) the incomes received before the expiration of the term prescribed by law for acquiring the right of receiving the funded pension at the expense of the funded allocations made for (in favour of) a natural person within the framework of the funded pension component according to the Law of the Republic of Armenia “On funded pensions”;

(7) the works performed for military servicemen and equivalent persons thereto, the services provided to them or their in-kind (non-monetary) incomes, as well as the official pay rate of compulsory military servicemen (cadets) and monetary compensations received for cigarettes according to Articles 33-36 of the Law of the Republic of Armenia “On social security of servicemen and their family members”;

(8) the lump-sum fees of the family members of deceased servicemen and of disabled servicemen received according to the legislation of the Republic of Armenia;

(9) the honorariums, financial support and assistance received within the framework of the social protection system according to the legislation of the Republic Armenia;

(10) the alimonies (maintenance fees) received according to the legislation of the Republic of Armenia;

(11) the incomes received for donated blood, breast milk and other types of donations;

(12) the compensation fees (including compensation fees of diplomatic officers) related to the performance of works within the framework of employment contracts within the limits of the standards prescribed by the legislation of the Republic of Armenia, except for the compensation fees for the unused leave in case of dismissal from work;

(13) the property and/or funds received from natural persons as a gift and/or succession according to the legislation of the Republic of Armenia. Within the meaning of this point, the property prescribed by point 1 of part 1 of Article 145 of the Code

received as a gift from a natural person considered a constructor shall not be deemed to be a deducted income;

(14) the assets, works and services received from non-commercial organisations without compensation;

(15) the assets, works and services received based on the decisions of state and local self-government bodies of the Republic of Armenia, bodies established by law and operating on a permanent basis, as well as those received from foreign states and international, interstate (intergovernmental) organisations without compensation, the fees made by the bodies and organisations referred to in this point for (in favour of) natural persons;

(16) the incomes received from natural persons not deemed individual entrepreneurs and notaries due to the alienation of the property (except for the property considered a subject of entrepreneurial activity) belonging to them by the right of ownership. Within the meaning of this point:

a. the alienation of a property of personal, family or household use (including, an apartment, private house (including, unfinished (semi-constructed)), agricultural and residential lands, garage, as well as a car of personal use) shall be deemed to be an alienation of property considered a subject of entrepreneurial activity where the car of personal use is alienated within three months after acquisition or where the immovable property is alienated within a year after acquisition;

b. the alienation of an industrial and other property of commercial and public significance, including buildings, constructions (including unfinished (semi-constructed)), lands of industrial, subsurface and other production significance or that of the share belonging to a person in the ownership of property shall be deemed to be an alienation of property considered a subject of entrepreneurial activity;

c. the incomes prescribed by point 1 of part 1 of Article 154 of the Code, which are received from persons not acting as tax agents due to the alienation of the property

belonging to a natural person considered a constructor, shall not be deemed deducted incomes;

d. where the car of personal use has been alienated at a price considered unreasonably lower than the market price of that car as of the day of alienation, 80 percent of the market price of the car as of the day of alienation shall be deemed to be the alienation price thereof;

e. where the property not referred to in sub-point “d” of this point has been alienated at a price considered unreasonably lower than the market price of that property, 80 percent of the market price of the property as of the day of alienation, which shall not be less than the immovable property tax base determined as prescribed by Article 228 of the Code, shall be deemed to be the alienation price thereof;

f. receiving the property as a succession or a gift shall not be considered a property acquisition;

(17) the scholarships received from the State by the students of higher education institutions, Ph.D. students, students of specialised secondary and vocational educational institutions, attendants of religious educational institutions, as well as the scholarships which those educational institutions or the organizations and bodies referred to in parts 14 and 15 of this point award them;

(18) the amounts, which are received as a compensation for the caused damage as prescribed by law, except for the compensations for lost income;

(19) the amounts of received loans and borrowings, except for cases of assigning the amounts of a loan or a borrowing by the debtor or agreeing with the debtor on the non-refund of those amounts in any other form (including at the moment of the expiration of the term for the statute of limitation prescribed by law);

- (20) the amounts of the support received in lump sum in the event of the death of the employee or any family member thereof;
- (21) the prizes of the athletes who won in international contests playing on the national team of the Republic of Armenia, and their coaches;
- (22) the monetary and material prizes of the participants of trade promotion lotteries carried out in the manner and conditions prescribed by the legislation of the Republic of Armenia, in an amount not exceeding AMD 50 000 in case of each winning, the monetary and material prizes of the participants of drawing, instant or combined lottery, as well as betting;
- (23) the value of the monetary and material prizes received in competitions in an amount not exceeding AMD 50 000 in case of each prize;
- (24) the compensation amounts of the tuition fee of up to 10 percent of the composition of students of higher education institution, in cases prescribed by the legislation;
- (25) the state awards (prizes);
- (26) the amounts compensated from the Deposit Guarantee Fund as prescribed by the Law of the Republic of Armenia “On guaranteeing compensation of bank deposits of natural persons”, except for the interests accrued on the deposit amount and compensated;
- (27) the compensation amounts for the monetary deposits made in the ArSSR Republican Bank of the USSR Savings Bank before tenth of June 1993;
- (28) the amounts paid to natural persons for taking the property belonging to them for state or community needs, as well as to natural persons registered (record-registered) in that property;

(29) the insurance premiums made by employers for the health insurance of their employees, in the amount of up to AMD 10 000 for each hired employee for each month of receiving income;

(30) in case of delaying the refund of the amounts on the unified account for more than 90 days from the term prescribed by Article 327 of the Code — the fines accrued in favour of a natural person for each delayed day following that term;

(31) the incomes derived from the activity of carrying out transportations through one passenger taxi motor vehicle by the natural persons prescribed by paragraph 2 of part 1 of Article 17 of the Law of the Republic of Armenia “On automobile transport”;

(32) the positive difference of the income calculated for the profit taxpayers according to points 1 and/or 2 of Article 109 of the Code and the actual compensation amount (without VAT) or the rental (without VAT);

(33) the monetary and in-kind (non-monetary) incomes received by natural persons at the expense of the representation expenses prescribed by Article 116 of the Code and the expenses for providing assistance and food to natural persons, as well as organising social and cultural events therefor and other similar expenses prescribed by Article 120 of the Code, within the limits of the amounts prescribed by Articles 116 and 120 respectively. For the purpose of determining the tax base, the expenses made by the employer for taking (transporting) the employees from their place of residence to the workplace (and vice versa) shall not be considered deducted incomes;

(34) the compensation amounts received from the entity having an electric energy distribution license of an autonomous energy producer using renewable energy resources, as well as the compensations received in the form of electric energy for the electric energy supplied to the entity having an electric energy distribution license by an autonomous energy producer using renewable energy resources in case of equal reciprocal flows;



(35) the incomes of natural persons, manufacturing agricultural products, derived from the supply of agricultural products, according to Article 148 of the Code;

(36) the incomes derived from securities according to Article 149 of the Code.

**Article 148. Incomes derived from supply of agricultural products**

1. For the purpose of determining the tax base, the incomes derived from the sales of agricultural products — prescribed by point 1 of part 1 of Article 126 of the Code — by natural persons engaged in the manufacturing of agricultural products shall also be considered deducted incomes.

**Article 149. Incomes derived from securities**

1. For the purpose of determining the tax base, the following shall be considered deducted incomes unless otherwise prescribed by this Article:

(1) the interest received from treasury bonds, other state securities and bonds issued by the Panarmenian Bank, discount received during the repayment and/or the income generated from alienation, exchange with other securities or other similar transactions;

(2) the income generated from the participation in the organisation's authorised or share capital (stock, share, unit) or generated from the alienation of other securities proving investment, exchange with other securities or other similar transactions;

(3) the income derived from the securities proving the participation in the investment funds (including their alienation, exchange, other similar transactions, as well as transactions performed at the expense of the assets of the contractual investment fund).

2. For the purpose of determining the tax base, the incomes prescribed by part 1 of this Article shall not be considered deducted incomes (are not deducted from the gross income) where:

- (1) they are received from the alienation of a promissory note, bill of exchange or other payment security issued as a means of payment;
- (2) they are received as a compensation for supply of goods, performance of works and/or provision of services or substitute that compensation regardless of the fact of real investment or loan for the security;
- (3) they are received from the alienation of the participation (stock, share, unit) in the authorised or share capital through building, apartment, private house or other construction (including unfinished (semi-constructed)) or other securities proving investment, where that alienation is carried out within three tax years following the tax year that includes the day of acquiring that participation (stock, share, unit) in the authorised or share capital;
- (4) they are received as a dividend.

#### **Article 150. Income tax rates**

1. The income tax against the tax base shall be calculated in the following way unless otherwise prescribed by parts 2-14 of this Article:

- (1) according to the following scale of monthly rates:

Monthly value of the tax base	Income tax rate
up to AMD 150 000 inclusive	23 percent
from AMD 150 000 to AMD 2 000 000 inclusive	AMD 34 500 plus 28 percent of the amount exceeding AMD 150 000
More than AMD 2 000 000	AMD 552 500 plus 36 percent of the amount exceeding AMD 2 000 000

(2) according to the following scale of annual rates:

Annual value of the tax base	Income tax rate
up to AMD 1 800 000 inclusive	23 percent
from AMD 1 800 000 to AMD 24 000 000 inclusive	AMD 414 000 plus 28 percent of the amount exceeding AMD 1 800 000
more than AMD 24 000 000	AMD 6 630 000 plus 36 percent of the amount exceeding AMD 24 000 000

2. The income tax prescribed by Article 128 of the Code against the tax base of natural persons, who work or provide a service exclusively outside the territory of the Republic of Armenia on the basis of an employment or a civil law contract concluded with a tax agent included in the group of resident profit taxpayers carrying out activity in the field of construction and/or construction and installation works and services exclusively outside the territory of the Republic of Armenia, shall be calculated at a 13 percent rate.

3. According to the legislation of the Republic of Armenia, where a natural person receives in the cases prescribed by the legislation the amounts accrued within the voluntary pension component in lump sum, the income tax on those amounts is calculated at the rate prescribed by point 1 of part 1 of this Article without considering the deductions prescribed by Article 147 of the Code.

4. According to the legislation of the Republic of Armenia, the income tax on the pensions received in the prescribed manner at the expense of the voluntary pension fees made by natural persons for themselves and/or by a third person (including employer) for a natural person within the framework of the voluntary pension component shall be calculated at a 10 percent rate without considering the deductions prescribed by Article 147 of the Code.

5. The income tax on interests shall be calculated at a 10 percent rate, considering the deductions prescribed by Article 149 of the Code.

6. The income tax on royalties shall be calculated at a 10 percent rate.

7. The income tax on rentals shall be calculated at a 10 percent rate, whereas in case the sum total of the rentals received during the tax year exceeds AMD 58,35 million, an additional income tax at a 10 percent rate shall be calculated for the exceeding part.

8. The income tax on dividends received by foreign nationals and stateless persons shall be calculated at a 10 percent rate, while the calculation of the income tax on dividends received by citizens of the Republic of Armenia shall be carried out at a 5 percent rate.

9. The income tax on the total incomes received from the tax agents as a result of the alienation of the property (except for the cases prescribed by parts 10 and 11 of this Article) shall be calculated at a 10 percent rate.

10. In cases prescribed by

(1) sub-point “a” of point 16 of part 1 of Article 147, the income tax on the total incomes received from the alienation of the property shall be calculated at a 10 percent rate;

(2) sub-point “b” of point 16 of part 1 of Article 147, the income tax on the total incomes received from natural persons not deemed individual entrepreneurs and notaries shall be calculated at a 10 percent rate, while the calculation of the income tax on the total income received from the taxpayers other than the persons referred to in this part shall be made at a 20 percent rate.

11. The income tax on the incomes received from the alienation of a building, its apartments or other premises by a constructor shall be calculated at a 20 percent rate.

12. Within the meaning of this Article, the investment of the property in the authorised or share capital of the organisation shall not be deemed to be an alienation of the property.

13. Where the settlement documents prescribed by points 1-4 of part 2 of Article 55 of the Code with respect to the incomes paid by a tax agent to taxpayers are not available, the income tax on those incomes shall be calculated at a 20 percent rate, without considering the deductions prescribed by Article 147 of the Code. The income tax on the incomes prescribed by this part shall not be calculated where in the absence of the settlement documents, prescribed by points 1-4 of part 2 of Article 55 of the Code, written documents, concluded in the manner prescribed by the legislation, in respect of the incomes paid and substantiating the incomes being paid are available, which indicate the necessary data on the taxpayer supplying goods, performing work and/or providing service mentioned in the settlement documents.

14. Where the passive incomes paid to natural persons not deemed individual entrepreneurs or a notaries during the tax year are deducted from the gross income when determining the profit tax base of a resident profit taxpayer and a non-resident profit taxpayer carrying out activity in the Republic of Armenia through a permanent establishment, and in the event of the failure to pay those incomes during the 12 months following the tax year of the deduction, the income tax against them shall be calculated at a 20 percent rate and be included in the income tax calculation report submitted to the tax authority for the twelfth month. The provisions of this part shall not apply to the banks and credit organisations in respect of the interests paid for loans, borrowings and deposits attracted from other taxpayers, as well as to the amounts paid for the debt securities issued by other organisations and offered to the public through public offer or permitted for trading on the regulated market.

15. In the cases prescribed by point 3 of part 2 of Article 149 of the Code, the income tax on the incomes received from the alienation of the participation (stock, share, unit) in the authorised or share capital through building, apartment, private

house or other construction (including unfinished (semi-constructed)) or other securities proving investment shall be calculated at a 20 percent rate.

## **CHAPTER 28**

### ***CALCULATION OF INCOME TAX***

#### **Article 151. Reporting period**

1. In cases prescribed by Article 152 of the Code where the tax agent calculates, withholds and pays the income tax to the State Budget, every reporting month shall be considered a reporting period for the calculation and payment of income tax.
2. According to the provisions of the international treaties signed and ratified on behalf of the Republic of Armenia, in cases where the payer of the income is exempt from the obligation of a tax agent, every reporting month shall be considered a reporting period for the calculation and payment of income tax with respect to the salary and other fees equivalent thereto, as well as the incomes for the works performed and/or services provided within the framework of civil law contracts.
3. In the cases not referred to in parts 1 and 2 of this Article, every reporting year shall be considered a reporting period for the calculation and payment of income tax from the tax base received during the reporting year.

#### **Article 152. Calculation and withholding of income tax by a tax agent**

1. The income tax on the incomes of natural persons shall be calculated and withheld by a tax agent based on the rates prescribed by Article 150 of the Code, unless otherwise prescribed by Article 153 of the Code.

2. The amounts of income tax on the incomes of natural persons not withheld on time or underwithheld by a tax agent, can, in the manner prescribed by the legislation of the Republic of Armenia, be withheld (levied) from natural persons for not more than the last three months, whereas the amounts withheld (levied) in excess of the prescribed amount of income tax are shall be offset at the expense of the further withholdings (levying) or refunded within a month from the day that fact became known, for not more than the last three months.

3. In the cases prescribed by the Government of the Republic of Armenia, the tax agents shall make a recalculation of the income tax being calculated and withheld in cases of recalculating the income tax base as prescribed by the legislation.

**Article 153. Cases of exempting the tax agent from the obligation to calculate and withhold the income tax**

1. According to part 1 of Article 152 of the Code, the tax agents shall be exempt from the obligation to calculate and withhold the income tax on the incomes of natural persons, where:

(1) according to the provisions of the international treaties signed and ratified on behalf of the Republic of Armenia, the income payer is exempt from the obligation of a tax agent;

(2) the incomes paid to the natural persons relate to the material prizes received in competitions, as well as winnings in casinos, games of chance and/or online games of chance;

(3) in the cases prescribed by point 3 of part 2 of Article 149 of the Code, natural persons are paid the incomes derived from the alienation of the participation (stock, share, unit) in the authorised or share capital through a building, apartment, private house or other construction (including unfinished (semi-constructed) or other securities proving investment.

**Article 154. Procedure for calculation of the income tax amount subject to payment to State Budget**

1. Based on the results of the reporting period, the tax agents shall pay to the State Budget the positive difference of the income tax amounts calculated at the rates prescribed by Article 150 of the Code against the tax base of that period and of the sum totals of the temporary incapacity and maternity benefits prescribed by the Law of the Republic of Armenia “On temporary incapacity and maternity benefits” and actually paid at the expense of the State Budget of the Republic of Armenia in the given reporting period. The benefits prescribed by this part shall be deemed deducted from the income tax amounts calculated against the tax base of the reporting period starting from the twentieth day of the month following the reporting period of deduction. The income tax amounts calculated against the tax base of the reporting period shall also include the income tax amounts calculated in the cases prescribed by part 14 of Article 150 of the Code — as a tax base of the twelfth month following the tax year of making the deduction.

2. In the cases prescribed by Article 153 of the Code, natural persons (in case of minor natural persons, the parent or the guardian or the curator) shall, based on the results of the relevant reporting period prescribed by parts 2 and/or 3 of Article 151 of the Code, pay to the State Budget the income tax amounts calculated against the tax base of that period at the rate prescribed by Article 150 of the Code.

**Article 155. Procedure for calculating the income tax amount subject to compensation from the State Budget**

1. The income tax amounts tax subject to compensation to the tax agents from the State Budget based on the results of the reporting period shall be calculated as a negative difference of the income tax amounts calculated against the tax base of that period at the rate prescribed by Article 150 of the Code and of the sum totals of the



temporary incapacity and maternity benefits prescribed by the Law of the Republic of Armenia “On temporary incapacity and maternity benefits” and actually paid at the expense of the State Budget of the Republic of Armenia in the given reporting period.

**Article 156. Submission of income tax calculation reports and other documents**

1. The tax agents shall prior to and including the twentieth day of the month following each month submit to the tax authority the calculation report of income tax as prescribed by Article 53 of the Code, which shall include personal information on the incomes of natural persons (except for natural persons who receive only passive incomes, as well as foreign nationals having no right of residence (residence status) in the Republic of Armenia and stateless natural persons) receiving incomes from the tax agents, the income tax calculated and withheld from those incomes, as well as calculated and withheld social fees in case of natural persons making social fees, except for cases prescribed by part 3 of this Article. The calculation report of the income tax shall also include summary data on the passive incomes of natural persons receiving exclusively passive incomes from the given tax agent during the reporting period and the incomes of foreign nationals having no right of residence (residence status) in the Republic of Armenia or stateless natural persons, as well as the incomes calculated and withheld from those incomes.

2. After hiring a new employee (except for foreign nationals having no right of residence (residence status) in the Republic of Armenia and stateless natural persons), but not later than until the end of the day preceding the day of actually starting the work by the given employee, the tax agents in the manner prescribed by Article 53 of the Code shall submit to the tax authority an application for the new employee’s registration, which shall include personal information (name, surname, patronymic, place of residence (record-registration), public service number (social card number), as well as other information prescribed by law), except for cases prescribed by part 3 of this Article.

3. If the personal information to be included in the application for the registration of the new employee and/or in the income tax calculation report is prescribed by the legislation as information of limited use, the application for the registration of the given person and/or the income tax calculation report shall be submitted to the tax authority in the manner prescribed by the Government of the Republic of Armenia.

4. In the cases prescribed by Article 153 of the Code, natural persons (in case of minor natural persons, the parent or the guardian or the curator) shall

(1) prior to and including the twentieth day of the month following each reporting period submit to the tax authority simplified calculation reports of the income tax as prescribed by Article 53 of the Code in respect of the incomes prescribed by part 2 of Article 151 of the Code;

(2) prior to and including the twentieth of April of the tax year following each reporting period submit to the tax authority annual calculation reports of the income tax as prescribed by Article 53 of the Code in respect of the incomes prescribed by part 3 of Article 151 of the Code.

5. The tax agents shall, as prescribed by Article 53 of the Code, submit to the tax authority personal information on the natural persons, who received only passive incomes during the previous tax year, their incomes and the income tax calculated and withheld from those incomes prior to and including the twentieth of April of the tax year following each tax year.

#### **Article 157. Issuance of statements of information on income tax**

1. Tax agents shall upon the request of natural persons be obliged to draw up and issue them statements of information on the incomes calculated and paid for them, withheld income tax amounts, as well as social fees made for the employee by the employer. The

form of the statement of information prescribed by this part, as well as the procedure for the completion and issuance thereof shall be prescribed by the tax authority.

## **CHAPTER 29**

### ***PROCEDURE FOR PAYING INCOME TAX AMOUNT AND CREDITING IT TO UNIFIED ACCOUNT***

#### **Article 158. Payment of income tax amount**

1. Tax agents shall pay to the State Budget the income tax amounts, calculated as prescribed by part 1 of Article 154 of Code, subject to payment to the State Budget, prior to and including the twentieth day of the month following the reporting period.
2. In the cases prescribed by Article 153 of the Code natural persons (in case of minor natural persons, the parent or guardian or curator) shall pay to the State Budget the income tax amounts, calculated as prescribed by part 2 of Article 154 of the Code, subject to payment to the State Budget:
  - (1) in the case prescribed by part 2 of Article 151 of the Code, prior to and including the twentieth day of the month following the reporting period;
  - (2) in the case prescribed by part 3 of Article 151 of the Code, prior to and including 20 April of the tax year following the reporting period.

#### **Article 159. Refunding income tax amount and crediting it to unified account**

1. Refund of income tax amount subject to compensation from the State Budget, prescribed by Article 155 of the Code, shall be carried out in the manner and within

the time limits prescribed by the Law of the Republic of Armenia “On temporary disability and maternity benefits”.

2. The income tax amounts paid in excess of the amounts prescribed by the Code shall be credited to the unified account in the manner and within the time limits prescribed by the part of the Code with regard to tax administration.

3. The interest amounts paid for servicing of a mortgage loan, received by a hired worker for the purpose of acquiring an apartment or building an individual residential house shall be compensated as prescribed by Article 160 of the Code.

4. In case of investing, as prescribed by legislation, of the income received as dividends in the authorised capital or share capital of the same dividend-paying organisation resident in the Republic of Armenia during the tax year when they were received, the invested amount but not more than the tax amounts paid to the State Budget from the dividends shall be compensated from the State Budget as prescribed by the Government of the Republic of Armenia.

**Article 160. Compensation for interest amounts paid for the servicing of mortgage loan received by a hired worker for the purpose of acquiring apartment or building individual residential house**

1. A natural person (except for an individual entrepreneur and notary not considered to be a hired worker) shall receive compensation for the interest amounts paid for the servicing of a mortgage loan, received by the natural person from a financial organisation resident in the Republic of Armenia for the purpose of acquiring an apartment in the block of flats constructed or under construction in the territory of the Republic of Armenia immediately from the person carrying out development, as well as from the State or the community within the scope of a housing programme implemented by the state and/or the community, or for the purpose of building an individual residential house in the territory of the Republic of Armenia and actually

aimed at acquiring an apartment or building an individual residential house, but not more than the income tax amount calculated with respect to the salary of the given natural person during the relevant quarter and fees equivalent thereto.

2. The amounts prescribed by part 1 of this Article shall:

- (1) be subject to compensation to natural persons on a quarterly basis;
- (2) be subject to compensation to natural persons fulfilling tax liabilities through a tax agent, where the tax agent has completely fulfilled the tax liability declared with respect to the salary with calculation of income tax and fees equivalent thereto submitted to the tax authority for all the months of the given quarter;
- (3) be subject to compensation to natural persons not having a tax agent, where the hired worker has completely fulfilled the tax liability declared with respect to the salary with simplified calculation of income tax and fees equivalent thereto submitted to the tax authority for all the months of the given quarter.

3. While determining the maximum amounts subject to compensation to natural persons from the amounts prescribed by part 1 of this Article, the quarters of the tax year shall be considered separately.

4. Where after the compensation of the amounts, prescribed by part 1 of this Article, an verified (simplified) calculation report of income tax is submitted to the tax authority or as a result of inspection or based on court decision the tax liability declared with respect to the given natural person with calculation report submitted to the tax authority is changed, as a result of which:

- (1) the income tax liability, previously declared with respect to the salary with simplified calculation reports of income tax and fees equivalent thereto, submitted to the tax authority by the tax agent with respect to the given natural person or by a natural person not having a tax agent for the months of the relevant quarter, is deducted from the income tax amount the natural person was compensated with, then an obligation with respect to income tax shall be conferred upon the tax agent or

natural person not having a tax agent in the amount of the difference between the actual income tax amount compensated and the verified tax liability with respect to the income tax as of the day of compensation of the income tax;

(2) the income tax liability previously declared with respect to the salary with (simplified) calculation report of income tax and fees equivalent thereto, submitted to the tax authority by the tax agent with respect to the given natural person or by a natural person not having a tax agent for the months of the relevant quarter increases, then a recalculation of the income tax amount to be compensated to the natural person shall be carried out pursuant to this Article.

5. The Government of the Republic of Armenia shall define the procedure for the compensation of income tax amounts to natural persons, prescribed by this Article.

6. For the purposes of this Article, the authorised body of the Government of the Republic of Armenia shall keep a register of blocks of flats constructed and under construction as well as provide information to the tax authority as prescribed by the Government of the Republic of Armenia.

## **SECTION 8**

### **ENVIRONMENTAL TAX**

#### **CHAPTER 30**

#### ***ENVIRONMENTAL TAX, TAXPAYERS AND AUTHORISED BODIES***

##### **Article 161. Environmental tax**

1. Environmental tax shall be the tax paid to the State Budget in accordance with this Section for the purpose of generating monetary funds necessary for undertaking environmental measures.

## **Article 162. Environmental taxpayers**

1. Organisations and natural persons, referred to in this Article, performing activities and/or functions considered taxable objects prescribed by Article 164 of the Code shall be deemed to be environmental taxpayers.
2. Payers of environmental tax for the emission of harmful substances into the atmospheric air shall be deemed to be:
  - (1) those emitting harmful substances into the atmospheric air from stationary sources of emission;
  - (2) in case of those emitting harmful substances into the atmospheric air from mobile sources of emission:
    - a. owners of motor vehicles, other self-propelled vehicles and mechanisms, as well as water vehicles, registered (record-registered) and operated in the Republic of Armenia, or their authorised persons (representatives);
    - b. owners of motor vehicles, not registered (not record-registered) in the Republic of Armenia and entering the Republic of Armenia, or their authorised persons (representatives).
3. Payers of environmental tax for leakages of harmful substances and/ or compounds into the water resources shall be deemed those responsible for leakages (except for domestic utilities-water leakages) into the water resources directly and/or centralised water drainage networks and other water systems.
4. In specifically designated areas (waste allocation sites, landfills, waste deposits, refuse dumps, complexes, constructions, industrial sites, tailing storage facilities, industrial waste dumps, overburden rock sites):
  - (1) payers of environmental tax for placing or storing subsoil management wastes shall be deemed to be those generating such wastes;

(2) payers of environmental tax for storing industrial and/or consumption wastes shall be deemed to be those generating such wastes;

(3) payers of environmental tax for placing industrial and/or consumption wastes shall be deemed to be those generating or placing such wastes, except for the cases referred to in point 4 of this part;

(4) payers of environmental tax for placing domestic wastes generated by natural persons as a result of carrying out garbage disposal in accordance with the Law of the Republic of Armenia “On garbage disposal and sanitary purification” shall be deemed to be the operators performing garbage disposal and sanitary purification activities, in accordance with the same Law.

5. Payers of environmental for goods causing damage to the environment shall be deemed to be:

(1) those importing through the customs procedure “Release for domestic consumption” goods causing damage to the environment, as well as those importing goods, causing damage to the environment and having the status of EAEU product, from EAEU member states into the Republic of Armenia (hereinafter referred to in this Section as “importers”);

(2) those importing and alienating within the territory of the Republic of Armenia the imported goods which cause damage to the environment in accordance with point 1 of this part (hereinafter referred to in this Section as “importer-sellers”);

(3) those producing goods within the territory of the Republic of Armenia which cause damage to the environment, with respect to goods alienated within the territory of the Republic of Armenia, and the customer, with respect to goods alienated within the territory of the Republic of Armenia, for goods causing damage to the environment and produced within the territory of the Republic of Armenia from the raw material provided by the customer (hereinafter referred to in this Section as “producer-sellers”).



## **Article 163. Concepts used and authorised bodies**

1. The concepts used in the Subsoil Code and the Water Code of the Republic of Armenia, the laws of the Republic of Armenia “On national water programme”, “On wastes”, “On preservation of atmospheric air”, “On motor roads”, “On transport”, “On motor transport” and “On ensuring road traffic safety” and legal acts adopted pursuant thereto shall be used in this Section in the sense and within the meaning of those legal acts, unless otherwise prescribed by this Section.

2. For the purposes of this Code, the concept “authorised body” prescribed by Article 4 of the Code shall have the following meaning:

- (1) environmental authority: state administration body authorised in the sector of environment;
- (2) environmental inspectorate: subdivision having administration and inspection powers, as prescribed by law, over observance and fulfilment of the requirements of environmental legislation.

## **CHAPTER 31**

### ***TAXABLE OBJECT, TAX BASE AND RATES OF ENVIROMENTAL TAX***

## **Article 164. Environmental taxable objects**

1. Environmental taxable objects shall be deemed to be:

- (1) emission of harmful substances into the atmospheric air;
- (2) leakage of harmful substances and/or compounds into water resources;
- (3) subsoil management wastes, industrial wastes and/or wastes of consumption:
  - a. placement in specifically designated areas;

- b. storing in specifically designated areas;
- (4) in case of goods causing damage to the environment:
  - a. import into the territory of the Republic of Armenia;
  - b. alienation within the territory of the Republic of Armenia by importer-sellers and/or producer-sellers.

**Article 165. Tax base of environmental tax**

1. The value or physical value of the environmental taxable objects or the characteristics based on which the environmental tax amount is calculated at the rates and in the manner prescribed by this Section shall be deemed to be the tax base of environmental tax.
2. The tax base of environmental tax with regard to emission of harmful substances into the atmospheric air from sources of emission shall be deemed to be:
  - (1) the actual volume of harmful substances emitted into the atmospheric air, in case of emission of harmful substances into the atmospheric air from stationary sources of emission;
  - (2) in case of emission of harmful substances into the atmospheric air from mobile sources of emission:
    - a. type of cargo vehicles, registered (record-registered) and operated in the Republic of Armenia, according to groups;
    - b. engine power of motor vehicles (except for cargo vehicles), other self-propelled vehicles and mechanisms as well as water vehicles registered (record-registered) in the Republic of Armenia;
    - c. type and load capacity of motor vehicles, not registered (not record-registered) in the Republic of Armenia, entering the Republic of Armenia.

3. Tax base of environmental tax for leakage of harmful substances and compounds into water resources shall be deemed to be the actual volume of leakage of harmful substances and compounds into water resources directly and/or centralised water drainage networks and other water systems, the volume of leakages containing harmful substances and compounds not cleaned through a purification plant maintaining the given water drainage network, and where no purification plants are available or where they are out of order, the whole volume of leakages containing harmful substances and compounds.

4. In case of subsoil management wastes, industrial wastes and/or wastes of consumption:

(1) the volume of the placed wastes according to hazard degrees shall be deemed to be the tax base of environmental tax for placement in specifically designated areas;

(2) the volume of the stored wastes according to hazard degrees shall be deemed to be the tax base of environmental tax for storing in specifically designated areas.

5. The tax base of environmental tax for goods causing damage to the environment shall be deemed to be:

(1) in case of goods, imported into the territory of the Republic of Armenia, which cause damage to the environment:

a. for goods imported into the Republic of Armenia through customs procedure “Release for domestic consumption” and causing damage to the environment, the customs value of such goods;

b. for goods, having the status of EAEU product, which are imported into the Republic of Armenia from EAEU member states and cause damage to the environment, the tax base of VAT (without excise tax amount calculated for such goods as prescribed by Section 5 of the code) determined as prescribed by the Code;

- (2) for alienation of goods, causing damage to the environment, by importer-sellers within the territory of the Republic of Armenia, the value of such goods expressed in monetary terms, excluding environmental tax, excise tax and VAT;
- (3) for alienation of goods, causing damage to the environment, by producer-sellers within the territory of the Republic of Armenia, the value of goods expressed in monetary terms, excluding environmental tax, excise tax and VAT;
- (4) in cases of alienation of goods, causing damage to the environment, by importer-sellers and/or producer-sellers without compensation or at a value significantly lower than the actual value for the purposes of part 6 of Article 62 of the Code, the tax base of VAT determined as prescribed by the Code, excluding excise tax and environmental tax amounts.

**Article 166. Base limits of environmental taxation**

1. The following tax base limits shall be prescribed for calculation of environmental tax and application of rates:

- (1) for emission of harmful substances into the atmospheric air from stationary sources of emission, volumes of maximum permissible emissions prescribed (provided) by permits for emissions of substances contaminating the atmospheric air from stationary sources as prescribed by the Law of the Republic of Armenia “On preservation of atmospheric air”, except for the cases prescribed by point 2 of this part;
- (2) volumes of maximum permissible emissions prescribed (provided) by temporary (for a term of up to 5 years) limits for emissions of harmful substances into the atmospheric air from stationary sources of emission, prescribed by the environmental authority based on the environmental action plan submitted by the environmental taxpayer;

(3) for emission of harmful substances into the atmospheric air from motor vehicles, not registered (not record-registered) in the Republic of Armenia, entering the Republic of Armenia, maximum permissible levels of concentration of harmful substances (carbon oxide, hydrocarbons, smoke opacity) in gases exhausted by motor vehicles operated within the territory of the Republic of Armenia;

(4) in case of leakage of harmful substances and/or compounds into water resources directly and/or centralised water drainage networks and other water systems:

a. permissible volumes of wastewater flowing into water resources or catchment basins thereof, volumes of maximum permissible leakage of harmful substances and/or compounds into wastewater, provided for by water use permits granted in accordance with the Water Code of the Republic of Armenia;

b. volumes of maximum permissible leakage of harmful substances and/or compounds provided for by the rules for the use of water drainage systems and purification of drained water in accordance with the Water Code of the Republic of Armenia;

(5) for placing and storing wastes, volumes of waste placement set by the limits for waste placement provided (approved) pursuant to the Law of the Republic of Armenia “On wastes”. For the purposes of this point, withdrawal of wastes from industrial sites without documents drawn up as prescribed (waste passport, contract signed with objects of waste disposal) shall be regarded as exceeding the limit.

2. The base limits for calculation and application of the rates of environmental tax shall be deemed to be zero:

(1) in case of not having a permit for emissions of substances contaminating the atmospheric air from stationary sources of emission or in case the volumes of permissible emissions are not specified in the permits;

(2) in case of leakage of harmful substances and/or compounds into water resources directly and/or centralised water drainage networks and other water systems:

a. in case of not having a water use permit in accordance with the Water Code of the Republic of Armenia or in case the volumes of water use or permissible volumes of wastewater flowing into water resources or catchment basins thereof or the data on volumes of maximum permissible leakage of harmful substances and/or compounds in wastewater are not specified in the provided water use permits;

b. in accordance with the Water Code of the Republic of Armenia, in case volumes of maximum permissible leakage provided for by the rules for the use of water drainage systems and purification of drained water are not determined;

(3) in case of placing or storing wastes, as prescribed by the Law of the Republic of Armenia “On wastes”:

a. in case the limits for waste placement are not provided (approved);

b. in case of placing wastes in unauthorised refuse dumps or storing wastes in areas not designated for storing wastes, prescribed by law;

c. in case of failure to agree on waste passports, drawn up by waste producers, with the state administration body authorised in the sector of environment;

d. in case of failure to submit the registration form of waste disposal sites to the environmental authority, in the manner prescribed, by persons carrying out activities of waste placement, elimination and burial;

e. in case of failure to submit the registration report of objects of waste generation, processing and recycling to the environmental authority by persons generating, processing and recycling wastes.

**Article 167. Rates of environmental tax for emission of harmful substances into atmospheric air from stationary sources of emission**

1. Environmental tax for emission of harmful substances into the atmospheric air from stationary sources of emission shall be calculated at the following rates against the tax base (taking account of the provisions of parts 2 and 5 of this Article):

Harmful substances contaminating atmospheric air	Rate per each tonne emitted during the reporting period (AMD)
Dust	1 800
Carbon monoxide	240
Nitrogen oxides (recalculated against nitrogen dioxide)	14 800
Sulphur anhydride	1 800
Chlorine	12 000
Chloroprene	90 000
Other substances (not referred to in this table) contaminating the atmospheric air with respect to which the actual volumes of emissions exceed the volume of maximum permissible emission provided for by permits for emission of harmful substances into the atmospheric air, as prescribed by legislation, or with respect to which permits for emission of harmful substances into the atmospheric air are not available or the maximum permissible emission is not referred to in the permits	$\text{RATE}_{\text{air}} = \text{AMD } 900/\text{MPC},$ <p>where MPC is the daily average maximum permissible density (concentration) of the given substance in the air</p>

2. The rates prescribed by part 1 of this Article for emission of harmful substances into the atmospheric air from stationary sources of emission within the territory of the city of Yerevan, national parks shall increase 1.5-fold.

3. In case the tax base limits, prescribed by part 1 of Article 166 of the Code, are exceeded, the following shall be applied as a rate for the actual emitted volume exceeding the limits of each harmful substance prescribed by part 1 of this Article (taking account of the provisions of parts 2 and 5 of this Article):

(1) five-fold of the rates prescribed by part 1 of this Article for the portion exceeding the limits up to (including) 5 times;

(2) ten-fold of the rates prescribed by part 1 of this Article for the portion exceeding the limits more than 5 times;

(3) irrespective of the provisions of points 1 and 2 of this part, five-fold of the rates prescribed by part 1 of this Article for the portion exceeding the temporary (for a term of up to 5 years) limits prescribed by the environmental authority (during the reporting periods of the time period for prescribing the temporary limits). In case of incomplete implementation or non-implementation of the environmental action plan, referred to in this point, a recalculation of the obligations with respect to the environmental tax calculated for the emission of harmful substances into the atmospheric air from stationary sources of emission for the time period of implementation of incompletely implemented or unimplemented measures of the action plan shall be carried out, applying the rates referred to in points 1 and 2 of this part for the portion exceeding the limits of the emissions.

4. In case of zero limits of the tax base, prescribed by part 2 of Article 166 of the Code, the following shall be applied as a rate for the actual emitted volume of each harmful substance prescribed by part 1 of this Article (taking account of the provisions of parts 2 and 5 of this Article):



(1) ten-fold of the rates prescribed by part 1 of this Article, where the actual volumes of the emissions do not exceed the following limits during the reporting period:

Dust	2.0 tonne
Carbon monoxide	1.5 tonne
Nitrogen oxides (recalculated against nitrogen dioxide)	1.0 tonne
Sulphur anhydride	0.5 tonne
Chlorine	0.1 tonne
For all other substances referred to in part 1 of this Article	0.05 tonne

(2) twenty-five-fold of the rates prescribed by part 1 of this Article, where the actual volumes of the emissions exceed the limits referred to in point 1 of this part during the reporting period.

5. From 1 January 2018, the rates of environmental tax applied for the emission of harmful substances into the atmospheric air from stationary sources of emission shall be determined as the product of the rates prescribed by part 1 of this Article and a coefficient of 1.1, from 1 January 2019, as the product of the rates prescribed by part 1 of this Article and a coefficient of 1.2, and from 1 January 2020, as the product of the rates prescribed by part 1 of this Article and a coefficient of 1.3.

**Article 168. Rates of environmental tax for emission of harmful substances into atmospheric air from mobile sources of emission**

1. Environmental tax for emission of harmful substances into the atmospheric air from mobile sources of emission shall be calculated at the following rates against the tax base (taking account of the provisions of part 2 of this Article):

(1) for the emission of harmful substances into the atmospheric air from cargo vehicles, registered (record-registered) and operated in the Republic of Armenia, according to their groups:

Group of the cargo vehicle	Annual rate (AMD)
Motor vehicles intended for the transportation of cargo maximum mass of which does not exceed 3,5 tonnes	5 000
Motor vehicles intended for the transportation of cargo with a maximum mass of more than 3,5 tonnes but not more than 12 tonnes	10 000
Motor vehicles intended for the transportation of cargo with a maximum mass of more than 12 tonnes	15 000

(2) for the emission of harmful substances into the atmospheric air from motor vehicles (except for cargo vehicles), other self-propelled vehicles and mechanisms, as well as of water vehicles registered (record-registered) and operated in the Republic of Armenia, according to the engine power:

Engine power	Annual rate against the whole tax base (AMD)
up to 50 horsepower	AMD 10 per each horsepower
51-80 horsepower	AMD 20 per each horsepower
81-100 horsepower	AMD 30 per each horsepower
101-150 horsepower	AMD 40 per each horsepower
151-200 horsepower	AMD 50 per each horsepower
201-250 horsepower	AMD 60 per each horsepower

251-300 horsepower	AMD 70 per each horsepower
301 and more horsepower	AMD 100 per each horsepower

In case the engine power is expressed in kilowatts, a coefficient of 1.36 shall be applied against the relevant power;

(3) for emission of harmful substances into the atmospheric air from motor vehicles, not registered (not record-registered) in the Republic of Armenia, entering the Republic of Armenia, according to their types and load capacity, for each entry into the Republic of Armenia:

Code according to Foreign Economic Activity Commodity Nomenclature	Description of the motor vehicle	Rate (AMD)	
		in case of emissions produced	
		within the norms of maximum allowable concentration of harmful substances (carbon oxide, hydrocarbons, smoke opacity) in gases exhausted by motor vehicles operated within the territory of the Republic of Armenia	more than the norms of maximum allowable concentration of harmful substances (carbon oxide, hydrocarbons, smoke opacity) in gases exhausted by motor vehicles operated within the territory of the Republic of Armenia, in case of emissions with respect to at least one of the aforementioned substances
8703 21-8703 33	passenger cars intended for the transportation of not more than 10 persons (including the driver)	3 750	7 500
8 702	passenger cars intended for the transportation of	10 000	20 000

	10 and more persons (including the driver), except for the vehicles classified under the code 8702 90 90		
8704 21 8704 31	for the transportation of cargos, engine vehicles the maximum mass of which is not more than 5 tonnes	5 000	10 000
8704 22 8704 32	for the transportation of cargo, engine vehicles the maximum mass of which is more than 5 tonnes but not more than 20 tonnes	10 000	20 000
8704 23	for the transportation of cargo, engine vehicles the maximum mass of which is more than 20 tonnes	15 000	30 000

2. From 1 January 2018, the rates of environmental tax applied for the emission of harmful substances into the atmospheric air from mobile sources of emission shall be determined as the product of the rates prescribed by part 1 of this Article and a coefficient of 1.1, from 1 January 2019, as the product of the rates prescribed by part 1 of this Article and a coefficient of 1.2, and from 1 January 2020, as the product of the rates prescribed by part 1 of this Article and a coefficient of 1.3.

**Article 169. Rates of environmental tax for leakage of harmful substances and/or compounds into water resources**

1. Environmental tax for leakage of harmful substances and compounds into water resources directly and/or centralised water drainage networks and other water systems shall be calculated against the tax base at the following rates (taking account of the provisions of parts 2 and 5 of this Article):

Emitted harmful substances and compounds	Rate per each tonne of leakage during the reporting period (AMD)
Suspended materials	5 300
Ammonia nitrogen	5 100
Biological oxygen demand	18 400
Oil products	204 600
Copper	1 023 900
Zinc	1 023 900
Sulphates	100
Chlorides	30
Nitrites	511 500
Nitrates	1 100
Total phosphorus	40 000
Detergent (washing chemical) materials	102 300
Heavy metal salts	511 500

Cyanogen and cyanogen compounds	511 500
Other harmful substances and compounds: harmful substances and compounds, not referred to in this table, with respect to which the actual volumes of leakage exceed the volumes of maximum permissible leakage of harmful substances and compounds in wastewater, provided for by water use permits, or no water use permits are available or the volumes of maximum permissible leakage are not specified in the water use permits or the volumes of maximum permissible leakage, provided for by the rules for the use of water drainage systems and purification of drained water, are not determined	$RATE_{water} = AMD$ 10 000/MPC <sub>fishery</sub> where MPC <sub>fishery</sub> is the maximum permissible concentration of the given substance or compound in the water used for fishery purposes

2. The rates prescribed by part 1 of this Article for those responsible for leakage of harmful substances and compounds (except for persons providing water supply and water drainage services) into the catchment basin of Lake Sevan, the rivers of Getar and Hrazdan within the territory of Hrazdan Gorge shall be doubled.

3. In case of exceeding the tax base limits, prescribed by part 1 of Article 166 of the Code, a value of three-fold of the rates prescribed by part 1 of this Article shall be applied as a rate for the volume of actual leakage exceeding the limits of each harmful substance or compound prescribed by part 1 of this Article (also taking account of the provisions of part 2 of this Article).

4. In case of zero limits of the tax base, prescribed by part 2 of Article 166 of the Code, the following shall be applied as a rate for the volume of actual leakage of each harmful substance or compound, prescribed by part 1 of this Article (also taking account of the provisions of part 2 of this Article):

a. ten-fold of the rates, prescribed by part 1 of this Article, in Ararat Marz and Armavir Marz of the Republic of Armenia;

b. five-fold of the rates, prescribed by part 1 of this Article, in other areas of the Republic of Armenia.

5. From 1 January 2018, the rates of environmental tax applied for the leakage of harmful substances and compounds into water resources shall be determined as the product of the rates prescribed by part 1 of this Article and a coefficient of 1.1, from 1 January 2019, as the product of the rates prescribed by part 1 of this Article and a coefficient of 1.2, and from 1 January 2020, as the product of the rates prescribed by part 1 of this Article and a coefficient of 1.3.

**Article 170. Rates of environmental tax for placing and storing subsoil management wastes, industrial wastes and/or consumption wastes in specifically designated areas**

1. The environmental tax for placing industrial wastes and/or consumption wastes in specifically designated areas — waste allocation sites, landfills, waste deposits, refuse dumps, complexes and/or constructions — shall be calculated at the following rates against the tax base (taking account of the provisions of part 6 of this Article):

Industrial wastes and/or consumption wastes according to hazard degree	Rate per each tonne placed during the reporting period (AMD)
Wastes of first degree of hazard	48 000
Wastes of second degree of hazard	24 000
Wastes of third degree of hazard	4 800

Wastes of fourth degree of hazard (except for operators performing activities of garbage disposal and sanitary purification of unsorted consumption wastes generated by natural persons)	1 500
Non-hazardous wastes (except for subsoil management wastes and in case of operators performing activities of garbage disposal and sanitary purification, for unsorted consumption wastes generated by natural persons)	600
For operators performing activities of garbage disposal and sanitary purification, sorted and unsorted consumption wastes generated by natural persons	60

2. From 1 January 2021, environmental tax for one-time storage of industrial wastes and/or consumption wastes (except for subsoil management wastes) in specifically designated areas, industrial sites, shall be calculated against the tax base at the following rates:

Industrial wastes and/or consumption wastes according to hazard degree	Rate per each tonne stored during the reporting period (AMD)
Wastes of first degree of hazard	62 400
Wastes of second degree of hazard	31 200
Wastes of third degree of hazard	6 240
Wastes of fourth degree of hazard	1 950
Non-hazardous wastes	780



3. From 1 January 2021, environmental tax for one-time placement or storage of subsoil management wastes in specifically designated areas — tailing storage facilities, industrial waste dumps, sites of overburden rocks and/or similar sites — shall be calculated against the tax base at the following rates:

(1) for mines of solid non-metallic minerals:

Subsoil management wastes according to hazard degree	Rate per each tonne stored during the reporting period (AMD)
Wastes of first degree of hazard	62 400
Wastes of second degree of hazard	31 200
Wastes of third degree of hazard	6 240
Wastes of fourth degree of hazard	1 950
Non-hazardous wastes (including overburden rocks)	780

(2) for mines of metallic minerals:

Subsoil management wastes according to hazard degree	Rate per each tonne stored during the reporting period (AMD)
Wastes of first degree of hazard	250
Wastes of second degree of hazard	120
Wastes of third degree of hazard	25
Wastes of fourth degree of hazard	8
Non-hazardous wastes (including overburden rocks)	3

4. In case the tax base limits of the prescribed by part 1 of Article 166 of the Code are exceeded, a value of three-fold of the rates, prescribed by parts 1-3 of this Article, shall be applied as a rate for the actual volumes of wastes exceeding the limits.

5. In case of zero limits of the tax base, prescribed by part 2 of Article 166 of the Code, a value of five-fold of the rates prescribed by parts 1-3 of this Article shall be applied as a rate for the actual volumes of the wastes.

6. From 1 January 2018, the rates of environmental tax applied for placing industrial wastes and/or consumption wastes in specifically designated areas shall be defined as the product of the rates prescribed by part 1 of this Article and a coefficient of 1.1, from 1 January 2019, as the product of the rates prescribed by part 1 of this Article and a coefficient of 1.2, and from 1 January 2020, as the product of the rates prescribed by part 1 of this Article and a coefficient of 1.3.

**Article 171. Rates of environmental tax for goods causing damage to the environment**

1. Environmental tax for goods causing damage to the environment shall be calculated against the tax base at the following rates:

Code according to Foreign Economic Activity Commodity Nomenclature	Brief name of goods	Rate for goods imported into the Republic of Armenia (%)	Rate for goods, produced and sold, as well as imported and sold in the Republic of Armenia
2707 2709 00 2710 2713	mineral oils, crude oil and crude oil products, oil and oil products, combustible and lubricating materials, bitumen and asphalt (except for petrol classified under 2710 11 410, 2710 11 450, 2710 11 490 codes, electrical insulating oils	2.0	2.0

2714 90 000	classified under 2710 19 930 code and used oil products		
2715 00 000	classified under 2710 91 000, 2710 99 000 codes)		
2710 19 930	electrical insulating oils, used oil products	3.0	3.0
2710 91 000			
2710 99 000			
2903 41 000	fluorotrichloromethane	2.0	2.0
2903 42 000	(freon-11), [CFCl <sub>3</sub> ]		
2903 43 000	difluorodichloromethane		
2903 44 100	(freon-12), [CF <sub>2</sub> Cl <sub>2</sub> ]		
2903 44 900	trifluorotrichloroethane		
	(freon-113), [C <sub>2</sub> F <sub>3</sub> Cl <sub>3</sub> ]		
	tetrafluorodichloroethane		
	(freon-114), [C <sub>2</sub> F <sub>4</sub> Cl <sub>2</sub> ]		
	pentafluorochloroethane		
	(freon-115) [C <sub>2</sub> F <sub>5</sub> Cl]		
2903 46 100	bromochlorodifluoromethane	2.0	2.0
2903 46 200	(halon-1211) [CF <sub>2</sub> BrCl]		
2903 46 900	trifluorobromomethane		
	(halon-1301) [CF <sub>3</sub> Br]		
	dibromotetrafluoroethane		
	(halon-2402) [C <sub>2</sub> F <sub>4</sub> Br <sub>2</sub> ]		
3215 11 00	printing ink	3.0	3.0
3215 19 000			
3402	detergents	0.5	0.5
3701	cinematographic and photographic films	0.8	0.8
3702			
3704 00 100			
3705			
3706			

3819 00 000	brake fluids	2.0	2.0
3820 00 000	anti-freezing and de-icing fluids ready for use	2.0	2.0
3923 3925 10 000	plastic articles for packaging and transporting goods; tanks, vats and similar plastic containers with a capacity exceeding 300 litres	2.0	2.0
4011 4012	tyres	1.0	1.0
4013	rubber tire tubes	1.0	1.0
6811 6812 6813	articles of asbestos, friction materials (except for goods classified under 6813 10 100 and 6813 90 100 codes)	3.0	3.0
7019	glass fibres	0.8	0.8
78	lead and articles made of lead	3.0	3.0
8311 10	electrodes	1.5	1.5
8421 23	oil or fuel filters for internal combustion engines (except for goods classified under 8421 23 100 code)	1.0	1.0
8506 30	primary batteries, mercuric oxide	1.5	1.5
8506 40	primary batteries, silver oxide	1.5	1.5
8506 80	other primary batteries	1.5	1.5
8507 10 8507 20	lead batteries (except for goods classified under 8507 10 100 and 8507 20 100 codes)	3.0	3.0
8507 30 8507 80	nickel-cadmium batteries, other batteries (except for goods classified under 8507 30 100 and 8507 80 100)	2.0	2.0
8507 90	parts of batteries (except for goods classified under 8507 90 100 code)	1.5	1.5
8532 22 000	electrolytic capacitors	3.0	3.0

8539 31	fluorescent lamps, hot-cathode	3.0	3.0
8539 32 100	mercury lamps	3.0	3.0
8702, 8703, 8704, 8705	cars having a release (manufacturing) date of more than 5 years and up to 10 years, included (except for vehicles classified under 8702 90 90 code)	2.0	x
8702, 8703, 8704, 8705	cars having a release (manufacturing) date of more than 10 years and up to 15 years, included (except for vehicles classified under 8702 90 90 code)	10.0	x
8702, 8703, 8704, 8705	cars having a release (manufacturing) date of more than 15 years (except for vehicles classified under 8702 90 90 code)	20.0	x

## CHAPTER 32

### *ENVIROMENTAL TAX BENEFITS*

#### **Article 172. Environmental tax benefits**

1. The following shall be exempt from environmental tax for emission of harmful substances into the atmospheric air from motor vehicles registered (record-registered) in the Republic of Armenia:

- (1) persons with disabilities, who received cars from social security bodies under privileged conditions, with respect to those cars;
- (2) payers of environmental tax for hybrid motor vehicles and motor vehicles operating with electric-powered engine, with respect to such motor vehicles;
- (3) payers of environmental tax for motor vehicles temporarily removed from record-registration of the authorised record-registration body, with respect to motor vehicles removed from record-registration during the whole year.

2. The documents certifying the right to enjoy environmental tax benefits prescribed by part 1 of this Article and the manner of the submission thereof shall be prescribed by the Government of the Republic of Armenia.

3. The following shall be exempt from environmental tax for emission of harmful substances into the atmospheric air from motor vehicles not registered (not record-registered) in the Republic of Armenia:

(1) diplomatic representations and consular offices, accredited in the Republic of Armenia, international organisations equivalent thereto;

(2) those carrying out transportation to the Republic of Armenia within the scope of humanitarian aid and charity programmes. In case the programme is not directly referred to in international treaties of the Republic of Armenia, the differentiation of the programme (activity) shall be determined by the authorised body of the Government of the Republic of Armenia according to the nature of humanitarian aid and charity;

(3) Armed Forces of the Russian Federation.

4. In accordance with part 3 of this Article, documents certifying the right to enjoy environmental tax benefits for emission of harmful substances into the atmospheric air from motor vehicles, not registered (not record-registered) in the Republic of Armenia, shall be the following:

(1) diplomatic certificate for members of the staff of diplomatic representations and consular offices, accredited in the Republic of Armenia, of international organisations equivalent thereto;

(2) legal act (including the international treaty of the Republic of Armenia) on the implementation of the specified programme (activity) and in case they are unavailable, the decision of the Charity Programme Coordination Commission of the Government of the Republic of Armenia for environmental taxpayers carrying out transportation of

cargo to the territory of the Republic of Armenia within the scope of humanitarian and technical aid, charity programmes;

(3) statement of information provided by the administration of the military stations of the Russian Federation.

5. Those transporting goods in transit through the territory of the Republic of Armenia shall be exempt from environmental tax for imported goods causing damage to the environment.

6. Natural persons shall, in respect of consumption wastes, be exempt from environmental tax for placing and/or storing industrial wastes and/or consumption wastes in specifically designated areas.

## **CHAPTER 33**

### ***CALCULATION OF ENVIRONMENTAL TAX***

#### **Article 173. Reporting period**

1. Each reporting quarter shall be deemed to be a reporting period for calculation and payment of environmental tax, except for the cases prescribed by this Section.

#### **Article 174. General procedure for calculating environmental tax subject to payment to State Budget**

1. Environmental tax subject to payment to the State Budget shall be calculated based on the tax base and rates for each taxable object prescribed by Article 164 of the Code, taking account of the tax base limits.

**Article 175. Procedure for calculating environmental tax subject to payment to State Budget for emission of harmful substances into atmospheric air**

1. Environmental tax subject to payment to the State Budget for emission of harmful substances into the atmospheric air from stationary sources of emission shall be calculated based on the actual volumes of harmful substances emitted into the atmospheric air during the reporting period:

(1) by the product of the actual volumes of harmful substances emitted within the volumes of maximum permissible emission calculated for the reporting period and of the relevant rates (in cases, prescribed by part 2 of the same Article, of multiplied rates) prescribed by part 1 of Article 167 of the Code, taking account of the provisions prescribed by part 5 of the same Article;

(2) by the product of the actual volumes of emitted harmful substances exceeding the volumes of maximum permissible emission calculated for the reporting period and of the rates prescribed by part 3 of Article 167 of the Code, taking account of the provisions prescribed by part 5 of the same Article;

(3) in case of zero limits of the tax base, by the product of the overall actual volumes of harmful substances emitted during the reporting period and of the rates prescribed by part 4 of Article 167 of the Code, taking account of the provisions prescribed by part 5 of the same Article;

(4) in cases when the volumes of maximum permissible emission are approved during the reporting period as prescribed, environmental tax subject to payment to the State Budget with respect to the actual volumes of harmful substances emitted during the time period preceding the day of the approval thereof shall be calculated as prescribed by point 3 of this part, and for the time period from the day of approval of the volumes of maximum permissible emission until the end of the reporting period



the volumes of the maximum permissible emission calculated for the days including that time period shall be taken as a basis;

(5) in cases when the volumes of maximum permissible emission change during the reporting period as manner prescribed, for the time periods of the reporting period until the day of that change and from that day until the end of the reporting period the relevant volumes of the maximum permissible emission calculated for the days including the relevant time periods shall be taken as a basis.

2. Annual environmental tax for motor vehicle, other self-propelled vehicle and mechanism, as well as for water vehicle, registered (record-registered) and operated in the Republic of Armenia, subject to payment to the State Budget for emission of harmful substances into the atmospheric air from mobile sources of emission shall be calculated by the product of the tax base and the relevant annual rates prescribed by Article 168 of the Code.

3. Environmental taxpayers shall reflect environmental tax amounts, calculated for objects of taxation prescribed by part 1 of this Article, in tax calculation reports, prescribed by parts 1 and 2 of Article 180 of the Code.

**Article 176. Procedure for calculating environmental tax subject to payment to State Budget for emission of harmful substances into atmospheric air from motor vehicles, not registered (not record-registered) in the Republic of Armenia, entering the Republic of Armenia**

1. Environmental tax for emission of harmful substances into the atmospheric air from motor vehicles entering the Republic of Armenia by means of motor vehicles, not registered (not record-registered) in the Republic of Armenia, shall be calculated at relevant rates prescribed by Article 168 of the Code for each entry into the Republic of Armenia.

**Article 177. Procedure for calculating environmental tax subject to payment to State Budget for leakage of harmful substances and/or compounds into water resources**

1. Environmental tax subject to payment to State Budget for leakage of harmful substances and/or compounds into water resources shall be calculated based on the volumes of actual leakage of harmful substances and/or compounds into water resources directly and/or centralised water drainage networks and other water systems during the reporting period:

(1) by the product of the actual volumes of harmful substances and/or compounds emitted within the volumes of maximum permissible leakage calculated for the reporting period and of the relevant rates (in cases, prescribed by part 2 of the same Article, of the twofold of the rates) prescribed by part 1 of Article 169 of the Code, taking account of the provisions prescribed by part 5 of the same Article;

(2) by the product of the actual volumes of leakage of harmful substances and compounds exceeding the volumes of maximum permissible leakage calculated for the reporting period and of the rates prescribed by part 3 of Article 169 of the Code, taking account of the provisions prescribed by part 5 of the same Article;

(3) in case of zero limits of the tax base, by the product of the overall actual volumes of leakage of harmful substances and compounds during the reporting period and of the rates prescribed by part 4 of Article 169 of the Code, taking account of the provisions prescribed by part 5 of the same Article;

(4) in cases when the volumes of maximum permissible leakage are approved during the reporting period as prescribed, environmental tax subject to payment to the State Budget with respect to the actual volumes of leakage of harmful substances and/or compounds during the time period preceding the day of approval thereof shall be calculated as prescribed by point 3 of this part, and for the time period from the day of approval of the volumes of maximum permissible leakage until the end of the

reporting period the volumes of the maximum permissible leakage calculated for the days including that time period shall be taken as a basis;

(5) in cases when the volumes of maximum permissible leakage change during the reporting period as prescribed, for the time periods of the reporting period until the day of that change and from that day until the end of the reporting period the relevant volumes of the maximum permissible leakage calculated for days including the relevant time periods shall be taken as a basis.

2. Irrespective of the provisions of part 1 of this Article, environmental tax subject to payment to the State Budget for leakage of harmful substances and/or compounds into water use and water resources for fishery purposes shall be calculated in the amount of the positive difference between average concentrations of harmful substances and/or compounds in wastewater flowing into water resources and 90 percent of ecological standards for water quality prescribed for the given segment of water resources, in the amount of the product of the actual volumes of wastewater flowing into water resources and of the rates prescribed by Article 169 of the Code. Ecological standards for water quality shall be prescribed by the Government of the Republic of Armenia.

3. Environmental taxpayers shall reflect environmental tax amounts, calculated for taxable objects prescribed by parts 1 and 2 of this Article, in tax calculation reports, prescribed by parts 1 and 2 of Article 180 of the Code.

**Article 178. Procedure for calculating environmental tax subject to payment to State Budget for placing or storing subsoil management wastes, industrial wastes and/or consumption wastes in specifically designated areas**

1. Environmental tax subject to payment to the State Budget for placing or storing subsoil management wastes, industrial wastes and/or consumption wastes in

specifically designated areas shall be calculated based on the actual volumes of wastes placed and/or stored in specifically designated areas during the reporting period:

(1) by the product of the actual volumes of subsoil management wastes, industrial wastes and/or consumption wastes stored and/or placed in specifically designated areas within the limits for waste placement calculated for the reporting period and of the relevant rates prescribed by parts 1-3 of Article 170 of the Code, taking account of the provisions of part 6 of the same Article;

(2) by the product of the actual volumes of stored and/or placed subsoil management wastes, industrial wastes and/or consumption wastes exceeding the limits for waste placement calculated for the reporting period and of the rates prescribed by part 4 of Article 170 of this Section, taking account of the provisions prescribed by part 6 of the same Article;

(3) in case of zero limits of the tax base, by the product of the actual volumes of subsoil management wastes, industrial wastes and/or consumption wastes stored and/or placed during the reporting period and of the rates prescribed by part 5 of Article 170 of the Code, taking account of the provisions prescribed by part 6 of the same Article;

(4) in cases when the limits for waste placement are approved during the reporting period as prescribed, environmental tax subject to payment to the State Budget with respect to the actual volumes of wastes stored during the time period preceding the day of confirmation thereof shall be calculated as prescribed by point 3 of this part, and for the time period from the day of approval of the limits until the end of the reporting period, the volumes of the limits calculated for the days including that time period shall be taken as a basis;

(5) in cases when the limits for waste placement change during the reporting period as prescribed, for the time periods of the reporting period until the day of that change and from that day until the end of the reporting period the relevant

volumes of the limits calculated for the days including the relevant time periods shall be taken as a basis.

2. Environmental taxpayers shall reflect environmental tax amounts, calculated for taxable objects prescribed by part 1 of this Article, in tax calculation reports prescribed by parts 1 and 2 of Article 180 of the Code.

3. The provisions of this Article related to calculation of environmental tax for storing subsoil management wastes, industrial wastes and/or consumption wastes in specifically designated areas for the reporting periods of the time periods from 1 January 2018 to 31 December 2020 shall be applied, taking account of the final and transitional provisions prescribed by Section 21 of the Code.

**Article 179. Procedure for calculating environmental tax subject to payment to State Budget for goods causing damage to environment**

1. Environmental tax subject to payment to the State Budget for goods causing damage to the environment, referred to in Article 171 of the Code, imported into the Republic of Armenia through customs procedure “Release for domestic consumption” shall be calculated against the tax base of those goods at the relevant rates prescribed by the same Article for the goods imported into the Republic of Armenia.

2. Environmental tax subject to payment to the State Budget for goods, referred to in Article 171 of the Code, having the status of EAEU product and causing damage to the environment, imported into the Republic of Armenia from EAEU member states shall be calculated against the tax base of those goods at the relevant rates prescribed by the same Article for the goods imported into the Republic of Armenia. Taxpayers carrying out imports shall calculate the environmental tax referred to in this part independently and include the amount of the calculated environmental tax in the tax

declaration of import submitted to the tax authority in the manner and within the time limits prescribed by the Code.

3. Environmental tax subject to payment to the State Budget for goods, referred to in Article 171 of the Code (except for cars classified under 8702, 8703, 8704 and 8705 codes of Foreign Economic Activity Commodity Nomenclature), which have been alienated within the territory of the Republic of Armenia during the reporting period by importer-sellers shall be calculated against the tax base of those goods at the relevant rates prescribed by the same Article for goods imported into and sold in the Republic of Armenia.

4. Environmental tax subject to payment to the State Budget for goods, referred to in Article 171 of the Code, which have been produced within the territory of the Republic of Armenia and alienated within the territory of the Republic of Armenia during the reporting period by producer-sellers shall be calculated against the tax base of those goods at the relevant rates prescribed by the same Article for goods produced and sold in the Republic of Armenia.

5. For the calculation of environmental tax subject to payment to the State Budget for each reporting period by importer-sellers, the following shall be offset (reduced) from the amount of environmental tax calculated in accordance with part 3 of this Article:

(1) environmental tax amounts separated in customs declarations of import of goods, imported from states not considered to be EAEU members and alienated, which have been paid to the State Budget of the Republic of Armenia, in proportion with the alienation of goods during the reporting period, but not more than the amounts of environmental tax calculated with respect to those goods for the reporting period in accordance with part 3 of this Article;

(2) environmental tax amounts separated in customs declarations of goods imported from EAEU member states and alienated, which have been paid to the State Budget of the Republic of Armenia, in proportion with the alienation of goods during the

reporting period, but not more than the amounts of environmental tax calculated with respect to those goods for the reporting period in accordance with part 3 of this Article.

6. For the calculation of environmental tax subject to payment to the State Budget for each reporting period by producer-sellers, the following shall be offset (reduced) from the amount of environmental tax calculated in accordance with part 4 of this Article:

(1) environmental tax amounts separated in customs declarations of goods imported from states not considered to be EAEU members, which have been used directly in the production of alienated goods and have been paid to the State Budget of the Republic of Armenia, in proportion with the alienation of goods during the reporting period, but not more than the amounts of environmental tax calculated with respect to those goods for the reporting period in accordance with part 4 of this Article;

(2) environmental tax amounts separated in tax declarations of goods imported from EAEU member states, which have been used directly in the production of alienated goods and have been paid to the State Budget of the Republic of Armenia, in proportion with the alienation of goods during the reporting period, but not more than the amounts of environmental tax calculated with respect to those goods for the reporting period in accordance with part 4 of this Article;

(3) environmental tax amounts separated in settlement documents of suppliers of the Republic of Armenia, which have been used directly in the production of alienated goods and have been paid to the suppliers, in proportion with the alienation of goods during the reporting period, but not more than the amounts of environmental tax calculated with respect to those goods for the reporting period in accordance with part 4 of this Article.

7. Where in the cases prescribed by parts 5 and 6 of this Article the fees to the State Budget or suppliers of the Republic of Armenia are carried out during the reporting periods which follow the reporting period of alienation of goods causing damage to the

environment, prescribed by parts 3 and 4 of this Article, offset (reductions) with respect to those goods may be carried out (by submission of tax calculation reports verified in the manner and cases prescribed by the Code) only during the reporting period of alienation of goods causing damage to the environment as prescribed by this Article. In accordance with parts 5 and 6 of this Article, the amounts not offset (not reduced) from the environmental tax calculated for the goods alienated during the reporting period shall not be subject to offset or refund at the expense of pending environmental tax fees of the environmental taxpayer.

8. Environmental taxpayers shall reflect environmental tax amounts, calculated for taxable objects prescribed by parts 3 and 4 of this Article, in tax calculation reports prescribed by parts 1 and 2 of Article 180 of the Code.

**Article 180.           Submission of tax calculation reports with respect to  
                                  environmental tax**

1. Environmental taxpayers shall, prior to and including the twentieth day of the month following each reporting period, draw up unified tax calculation reports of environmental tax and nature use fees in accordance with Articles 52 and 53 of the Code and submit them to the environmental inspectorate and tax authority as prescribed by the Government of the Republic of Armenia.

2. Environmental taxpayers may, in case they independently reveal mistakes in the submitted unified tax calculation reports of environmental tax and nature use fees, draw up verified unified tax calculation reports of environmental tax and nature use fees as a result of verification thereof, as prescribed by Articles 52-54 of the Code and submit them to the environmental inspectorate and tax authority as prescribed by the Government of the Republic of Armenia.



## CHAPTER 34

### ***PROCEDURE FOR PAYING ENVIRONMENTAL TAX AMOUNT AND CREDITING IT TO UNIFIED ACCOUNT***

#### **Article 181. Payment of environmental tax amount**

1. Environmental tax amounts, calculated as prescribed by this Section, subject to payment to the State Budget shall be paid to the State Budget prior to and including the twentieth day of the month following the reporting quarter, except for the cases prescribed by this Article.

2. Environmental tax for emission of harmful substances into the atmospheric air from mobile sources of emission shall be paid to the State Budget of the Republic of Armenia within the following time limits and in the following manner:

(1) for motor vehicles, other self-propelled vehicles and mechanisms, as well as for water vehicles registered (record-registered) and operated in the Republic of Armenia with respect to which the requirement for technical inspection is prescribed, environmental tax calculated as prescribed by Article 175 of the Code shall be paid for each tax year before the annual technical inspection thereof, except for the cases prescribed by point 2 of this part;

(2) where in the case referred to in point 1 of this part other frequency of technical inspection is prescribed instead of the annual technical inspection, environmental tax calculated as prescribed by Article 175 of the Code shall be paid:

- a. before the second technical inspection of the tax year, in case of undergoing two technical inspections during the tax year;
- b. in the amount of twofold of the annual environmental tax amount before each technical inspection, in case of undergoing one technical inspection during two tax years;

(3) for motor vehicles, other self-propelled vehicles and mechanisms, as well as for water vehicles registered (record-registered) and operated in the Republic of Armenia with respect to which the requirement for technical inspection is not prescribed, environmental tax calculated as prescribed by Article 175 of the Code shall be paid for each tax year prior and including the first of December of the given tax year;

(4) environmental tax calculated as prescribed by Article 176 of the Code for emission of harmful substances into the atmospheric air from motor vehicles entering the Republic of Armenia by means of motor vehicles not registered (not record-registered) in the Republic of Armenia shall be paid to the State Budget upon entry into the Republic of Armenia. Environmental taxpayers shall keep the payment receipts (or other document certifying the payment) for the purpose of later certifying the payment of the environmental tax. During the entry into the Republic of Armenia by means of motor vehicles not registered (not record-registered) in the Republic of Armenia, tax authorities shall check the calculation reports on environmental tax drawn up by the taxpayer or the right to enjoy the benefits of payment of environmental tax, where necessary, securing supplementary payment of environmental tax after relevant adjustments. Documents certifying the payment of environmental tax for the purposes of this Article of the payment of environmental tax shall also be:

- a. customs declaration of motor vehicles which reflects the environmental tax amount paid, in case of entry of vehicles from states not considered to be EAEU members;
- b. receipts of environmental tax fees made to the State Budget of the Republic of Armenia in the manner and amounts prescribed by this Section or the receipt generated by the electronic system of state fees, in case of entry of motor vehicles from EAEU member states.

In case of exit of motor vehicles, not registered (not record-registered) in the Republic of Armenia, from the territory of the Republic of Armenia, tax authorities shall check whether the environmental tax is calculated and paid in accordance with this Section

or the right to enjoy the benefits of payment of environmental tax. During the exit of motor vehicles, a stamp, marked “environmental tax paid until”, shall be put on the receipts certifying the payment of environmental tax and/or on customs declaration of motor vehicles, after which the declarations and receipts may not be used as documents certifying the payment of environmental tax when entering the Republic of Armenia, driving in the Republic of Armenia or exiting from the Republic of Armenia.

Environmental taxpayers shall submit the documents certifying the payment of environmental tax or the relevant documents certifying the right to enjoy environmental tax benefits, referred to in part 4 of Article 172 of the Code, to the customs when entering the Republic of Armenia or exiting from the Republic of Armenia by means of motor vehicles not registered (not record-registered) in the Republic of Armenia, and to the road traffic safety body, within the territory of the Republic of Armenia where required in the prescribed manner.

3. Environmental tax for import of goods causing damage to the environment shall be paid to the State Budget of the Republic of Armenia within the following time limits and in the following manner:

(1) environmental tax for goods imported into the Republic of Armenia from EAEU member states and causing damage to the environment shall be paid to the State Budget prior and including the twentieth day of the month following the month which includes the day of actual import of those goods into the territory of the Republic of Armenia (crossing the state border of the Republic of Armenia);

(2) environmental tax for goods causing damage to the environment and imported into the Republic of Armenia from states not considered to be EAEU members shall be paid to the State Budget before the registration or during the registration of the customs declaration through the customs procedure “Release for domestic consumption”, but not later than the release of the goods, as amounts paid to the customs authority, by submitting to the customs authority the document certifying the payment.

Where a customs procedure declared in advance is substituted by another customs procedure, irrespective of the change in the customs procedure applied for those goods after the import, environmental tax for goods causing damage to the environment shall be calculated and levied once per each entry through the border of the Republic of Armenia.

**Article 182.            Crediting environmental tax amount to unified account, offset and/or refund thereof**

1. The amounts paid in excess of the environmental tax liabilities, prescribed by the Code, with respect to which a requirement for submitting a tax calculation report is prescribed by this Section shall be credited to the unified account in the manner and within time limits prescribed by the part of the Code with regard to tax administration.
2. The amounts paid in excess of the environmental tax liabilities, prescribed by the Code, with respect to which a requirement for submitting a tax calculation report is not prescribed by this Section shall be offset and/or refunded in the manner prescribed by the Government of the Republic of Armenia.

**SECTION 9**

**ROAD TAX**

**CHAPTER 35**

***ROAD TAX, TAXPAYERS AND AUTHORISED BODIES***

**Article 183.            Road tax**

1. Road tax shall mean the tax paid to the state budget in accordance with this Section for the purpose of development of the road network in the Republic of

Armenia and generation of funds necessary for the construction, repair and maintenance of public roads in the Republic of Armenia.

**Article 184. Road tax payers**

1. Road tax payers shall mean the organisations and natural persons considered to be owners of the motor vehicles prescribed by this Section or persons (representatives) authorised thereby carrying out the activity and/or performing the function considered a taxable object prescribed by Article 186 of the Code, as well as those using the roads for the purpose of carrying out the activity and/or performing the function prescribed by this Article.
2. Taxpayers paying road tax for using the roads of the Republic of Armenia with motor vehicles not registered (not record-registered) in the Republic of Armenia shall include those entering the Republic of Armenia (including from EAEU member states) with motor vehicles prescribed by this Section (except for the motor vehicles placed under the customs procedure of Release for domestic consumption) not registered (not record-registered) in the Republic of Armenia.
3. Taxpayers paying road tax for using the roads of the Republic of Armenia with motor vehicles registered (record-registered) in the Republic of Armenia shall include the owners of the motor vehicles prescribed by this Section or persons (representatives) authorised thereby.
4. Taxpayers paying road tax for placement of advertisements on public roads of the Republic of Armenia shall include those placing advertisements (advertising media) on public roads of the Republic of Armenia (including on the routes passing through the administrative boundaries of communities), as well as right-of-ways and protection zones of these roads.

## **Article 185.        Used concepts and authorised bodies**

1. Concepts used in the Laws of the Republic of Armenia “On roads”, “On transport”, “On motor transport” and “On road traffic safety” and in legal acts adopted in compliance therewith are used in this Section in the context and the meaning used in those legal acts, unless otherwise prescribed by this Section.

2. Concepts used in this Section for the purpose of regulation of relations pertaining to the calculation and payment of road tax with regard to transfer of motor vehicles across the EAEU customs border which are not explained in this Section, are used in the meaning prescribed by Annex No 24 (to the Protocol on systematic (coordinated) transport policy) of the Agreement on Eurasian Economic Union of 29 May 2014, the Customs Legislation of the EAEU and the laws and other legal acts of the Republic of Armenia regulating customs relations.

3. Within the meaning of this Section of the Code, the concept “authorised body” prescribed by Article 4 of the Code shall mean the following:

- (1) body ensuring road traffic safety — authorised state administration body of the Government of the Republic of Armenia in the field of road traffic safety;
- (2) state road authority — authorised state administration body of the Government of the Republic of Armenia in the field of transport.

## **CHAPTER 36**

### ***OBJECT TAXABLE UNDER ROAD TAX, TAX BASE AND RATES***

## **Article 186.        Object taxable under road tax**

1. Object taxable under road tax shall mean:

- (1) the use of the roads of the Republic of Armenia with a truck not registered (not record-registered) in the Republic of Armenia;

- (2) the use of the roads of the Republic of Armenia with a truck registered (record-registered) in the Republic of Armenia;
- (3) placement of advertisements on the public roads of the Republic of Armenia.

**Article 187. Road tax base**

1. The road tax base shall mean the value or physical quantity of the object taxable under road tax or the characteristic based on which the road tax amount is calculated at the rates and in the manner prescribed by this Section.
2. Road tax base for the use of the roads of the Republic of Armenia with a truck not registered (not record-registered) in the Republic of Armenia shall be the period comprising the entry into the Republic of Armenia with a truck and the length of stay in the Republic of Armenia expressed in days based on the maximum permitted weight of the truck (including of trailers and semi-trailers) expressed in tonnes.
3. Road tax base for the use of the roads of the Republic of Armenia with a truck registered (record-registered) in the Republic of Armenia shall be the maximum permitted weight indicated in the record-registration certificate of the truck, trailer, semi-trailer, expressed in tonnes.
4. Tax base for placement of advertisements on the public roads of the Republic of Armenia shall be the surface area of the billboard placed on the public roads of the Republic of Armenia (including on the routes passing through the administrative boundaries of communities), as well as on right-of-ways and protection zones of these roads expressed in square meters. In case of multifaceted billboards (having two or more facets), the tax base shall be the total of the surface area of all the facets of the billboard.
5. Within the meaning of parts 2 and 3 of this Article, in the case of a motor vehicle with a tractor-unit-type car body and a combined rolling stock with a semi-trailer (road

train), the total of the maximum permitted weight of the motor vehicle and the semi-trailer included in the structure of the road train expressed in tonnes, and in the case of a combined rolling stock put in motion by a semi-trailer (road train) — the total of the maximum permitted weight of the motor vehicles included in the structure of the rolling stock (including that of trailers and semi-trailers) expressed in tonnes shall serve as a basis for the determination of the tax base.

**Article 188. Road tax rates for the use of the roads of the Republic of Armenia with trucks not registered (not record-registered) in the Republic of Armenia**

1. The road tax for the use of the roads of the Republic of Armenia with trucks not registered (not record-registered) in the Republic of Armenia shall be calculated for each 15 days of entry into the Republic of Armenia, based on the maximum permitted weight of the motor vehicle:

Trucks, maximum permitted weight	Rate for each entry into the Republic of Armenia (AMD)
up to 1,5 tonnes inclusive	15 000
over 1,5 tonnes and up to 3 tonnes inclusive	25 000
over 3 tonnes and up to 5 tonnes inclusive	40 000
over 5 tonnes and up to 10 tonnes inclusive	65 000
over 10 tonnes and up to 20 tonnes inclusive	80 000
over 20 tonnes and up to 30 tonnes inclusive	110 000
over 30 tonnes and up to 44 tonnes inclusive	152 000



over 44 tonnes and up to 60 tonnes inclusive	205 000
over 60 tonnes and up to 70 tonnes inclusive	233 000
over 70 tonnes and up to 80 tonnes inclusive	285 000
over 80 tonnes and up to 90 tonnes inclusive	318 000
over 90 tonnes and up to 100 tonnes inclusive	603 000
over 100 tonnes	753 000

**Article 189. Road tax rates for the use of the roads of the Republic of Armenia with trucks registered (record-registered) in the Republic of Armenia**

1. The road tax for the use of the roads of the Republic of Armenia with trucks registered (record-registered) in the Republic of Armenia shall be calculated at the following annual rates:

Trucks, maximum permitted weight	Annual rate (AMD)
up to 20 tonnes inclusive	0
over 20 tonnes and up to 25 tonnes inclusive	120 000
over 25 tonnes and up to 30 tonnes inclusive	240 000
over 30 tonnes and up to 35 tonnes inclusive	360 000
over 35 tonnes	480 000

**Article 190. Road tax rates for placement of advertisements on the public roads of the Republic of Armenia**

1. The road tax for placement of advertisements on the public roads of the Republic of Armenia shall be calculated at the following annual rates:

(1) AMD 10 000 for each square meter of the surface area of the billboard placed on cross-border roads (including on the routes passing through the administrative boundaries of communities), as well as on right-of-ways and protection zones of these roads;

(2) AMD 7 500 for each square meter of the surface area of the billboard placed on national and marz roads (including on the routes passing through the administrative boundaries of communities), as well as on right-of-ways and protection zones of these roads.

**CHAPTER 37**

***ROAD TAX BENEFITS***

**Article 191. Road tax benefits**

1. The following shall be exempt from the road tax for the use of the roads of the Republic of Armenia with trucks not registered (not record-registered) in the Republic of Armenia:

(1) foreign diplomatic representations and consulates accredited in the Republic of Armenia for the trucks intended for official use;

(2) road tax payers transporting humanitarian and technical aid, as well as transporting cargo into the territory of the Republic of Armenia within the framework of charity programmes with trucks intended for such transportations;

(3) road tax payers providing transportation services to the military bases of the Russian Federation located in the Republic of Armenia with trucks intended for such transportations;

(4) road tax payers entering the Republic of Armenia with trucks registered in the territory of Georgia and providing transportation services in the territory of the Republic of Armenia, except for the road tax prescribed by this Section for motor vehicles with a maximum permitted weight of more than 44 tonnes;

(5) road tax payers enjoying road tax benefits under international agreements.

2. In accordance with part 1 of this Article, documents attesting to the right to enjoy road tax benefits with regard to the use of the roads of the Republic of Armenia with trucks not registered (not record-registered) in the Republic of Armenia shall include:

(1) the diplomatic tax exemption card for the staff of foreign diplomatic representations and consulates accredited in the Republic of Armenia;

(2) for road tax payers transporting humanitarian and technical aid and cargo into the territory of the Republic of Armenia within the framework of charity programmes — the legal act on the implementation of the mentioned programme (including the international agreement of the Republic of Armenia) and — in the absence thereof — the decision of the Charity Programme Coordination Commission of the Government of the Republic of Armenia;

(3) for road tax payers transporting cargo and soldiers to the military bases of the Russian Federation located in the Republic of Armenia — the certificate issued by the directorate of the military base of the Russian Federation;

(4) for road tax payers entering the Republic of Armenia with motor vehicles registered (record-registered) in Georgia — the motor vehicle registration (record-registration) certificate;

(5) for road tax payers enjoying road tax benefits under the international agreements signed on behalf of the Republic of Armenia and ratified in the prescribed manner — the permit issued by the state road authority.

3. The following shall be exempt from the road tax for the use of the roads of the Republic of Armenia with trucks registered (record-registered) in the Republic of Armenia:

(1) trucks — starting from the 20<sup>th</sup> tax year following the tax year including the date of release;

(2) trucks employed in mining activities where they are not being used on the roads of the Republic of Armenia;

(3) trucks which have been temporarily removed from record-registration by the authorised body.

4. The documents prescribed by part 3 of this Article attesting to the right to road tax benefits and the procedure for submitting them shall be prescribed by the Government of the Republic of Armenia.

## **CHAPTER 38**

### ***CALCULATION AND PAYMENT OF ROAD TAX***

#### **Article 192. General procedure for the calculation of the road tax subject to payment to the State Budget**

1. The road tax subject to payment to the State Budget shall be calculated for each taxable object prescribed by Article 186 of the Code based on the tax base and tax rates.

**Article 193. Procedure for calculation and payment of road tax subject to payment to the State Budget for the use of the roads of the Republic of Armenia with trucks not registered (not record-registered) in the Republic of Armenia**

1. Road taxes subject to payment to the State Budget for the use of the roads of the Republic of Armenia with trucks not registered (not record-registered) in the Republic of Armenia shall be calculated and paid as follows:

(1) for each entry into the Republic of Armenia the road tax shall be calculated at the fifteen-day rates prescribed by Article 188 of the Code and shall be paid to the State Budget when entering the Republic of Armenia;

(2) in the case of entering the Republic of Armenia more than once with the same vehicle within fifteen days following the day of entry to the Republic of Armenia, the road tax shall be calculated for each entry at the fifteen-day rates prescribed Article 188 of the Code and shall be paid to the State Budget for each entry to the Republic of Armenia;

(3) in the case of staying in the territory of the Republic of Armenia for more than fifteen days, the road tax for the following fifteen days or a shorter period shall be calculated at the fifteen-day rates prescribed by Article 188 of the Code and shall be paid to the State Budget within five days following the expiration of the fifteen-day period of stay in the Republic of Armenia (in the case referred to in point 2 of this part, from the day of the last entry). Receipt of made fees (or other documents confirming the payment) shall be kept by the road tax payers in order to prove the fact of payment of the road tax in future.

2. In the case of entry into the Republic of Armenia with trucks not registered (not record-registered) in the Republic of Armenia, the customs authorities shall check the validity of the road tax calculation or the right to enjoyment of road tax payment benefit, securing the surplus payment of the sum of the road tax following relevant

adjustments. Within the meaning of this Article, documents confirming the payment of the road tax shall also include:

- (1) customs declaration in the case of entry of motor vehicles from countries that are not members of the EAEU where the paid sum of the road tax is indicated;
- (2) in the case of entry of trucks from member states of the EAEU, the receipts of payment of road taxes to the State Budget of the Republic of Armenia in the manner and amount prescribed by this Section or the receipts generated by the electronic system for state fees.

3. In the case of exit from the territory of the Republic of Armenia of trucks not registered (not record-registered) in the Republic of Armenia, the customs authorities shall check the fact of calculation and payment of the road tax prescribed by this Section or the right to enjoyment of road tax benefit. In the case of underpayment of the road tax sum calculated as prescribed by point 3 of part 1 of this Article, customs authorities shall collect the underpaid amount of the road tax sum or the fines calculated as prescribed by the Code for the delay of payment of the tax during the exit of the motor vehicles by placing a stamp with a note “road tax paid through to:” on the receipts confirming the road tax payment and/or customs declaration of motor vehicles and once this has been done, the declarations and receipts cannot be used as documents confirming the road tax payment when entering the Republic of Armenia, in the territory of the Republic of Armenia or when exiting the Republic of Armenia.

4. When entering the Republic of Armenia or when exiting the Republic of Armenia with trucks not registered (not record-registered) in the Republic of Armenia, the road tax payers shall submit to the customs authorities, and when required in due procedure in the territory of the Republic of Armenia — to the road traffic safety body, the relevant documents confirming the road tax payment or the right to enjoyment of road tax benefits referred to in part 2 of Article 191 of the Code.

**Article 194. Procedure for calculation and payment of road tax for the use of the roads of the Republic of Armenia with trucks registered (record-registered) in the Republic of Armenia**

1. Road tax for the use of the roads of the Republic of Armenia with trucks registered (record-registered) in the Republic of Armenia for each tax year shall be calculated at the annual rates prescribed by Article 189 of the Code and paid prior to their annual technical inspection. Where in the case referred to in this part a different interval of technical inspection is prescribed as an alternative to the annual technical inspection, the road tax shall be paid:

- (1) in the case of undergoing two technical inspections in the course of one tax year — prior to the second technical inspection in the tax year;
- (2) in the case of undergoing one technical inspection in two tax years — twice the amount of the sum of the annual road tax prior to each technical inspection.

2. For trucks registered (record-registered) in the Republic of Armenia for which no requirement for technical inspection is prescribed, the road tax for each tax year shall be paid by 1 December inclusive of the given tax year.

**Article 195. Procedure for calculation and payment of road tax for placement of advertisements on roads**

1. Road tax for placement of advertisements on public roads of the Republic of Armenia shall be calculated for the surface area of each billboard placed on public roads (including on the routes passing through the administrative boundaries of communities), as well as right-of-ways and protection zones of these roads at the annual rates prescribed by Article 190 of the Code as follows:

- (1) for each reporting quarter, the road tax shall be calculated by one fourth of the product of the surface area of the billboard and the relevant annual rate prescribed by Article 190 of the Code, irrespective of the fact whether there is a paper panel on the

billboard (the fact of termination of dissemination of advertisements) or whether it has been changed;

(2) where the billboard is placed during the tax year, the obligation to calculate the road tax shall arise from the day following the date of drawing up the document on conformity with technical specifications with the road authorities in the prescribed manner following the construction and installation works related to the placement of the billboard:

a. for the reporting quarter including the day of drawing up the document, the road tax shall be calculated as prescribed by point 1 of this part, proportionally to the number of days between the day following the day of drawing up the document and the last day of the reporting quarter;

b. for the quarters following the reporting quarter including the day of drawing up the document, except for cases prescribed by point 3 of this part, the road tax shall be calculated as prescribed by point 1 of this part;

(3) where the billboard is dismantled during the tax year:

a. the road tax for the reporting quarters preceding the reporting quarter including the day of dismantling shall be calculated as prescribed by point 1 of this part;

b. the road tax for the reporting quarter including the day of dismantling shall be calculated as prescribed by point 1 of this part, proportionally to the number of days between the first day of the quarter and the day preceding the day of dismantling;

c. no road tax shall be calculated for the quarters following the reporting quarter including the day of dismantling;

d. in the case of dismantling the billboard during the reporting quarter when the document on conformity with technical specifications has been drawn up, the road tax for the given reporting quarter shall be calculated as prescribed by point 1 of this part, proportionally to the number of days between the day of drawing up the document and the day of dismantling.



2. The sums of road tax calculated for each reporting quarter in accordance with this Article for placement of advertisements on state public roads of the Republic of Armenia shall be paid to the State Budget by the twentieth day inclusive of the month following the given reporting quarter, and within five working days following this day, a copy of the receipt confirming the payment and the receipt generated by the electronic system for the state fees or the 20-digit code of the generated receipt indicated in the notification sent in the manner approved by the state road authority shall be submitted to state road authorities.

## **CHAPTER 39**

### ***OFFSET AND/OR REFUNDING THE AMOUNT OF ROAD TAX***

#### **Article 196. Offset and/or refunding the amount of road tax**

1. Procedure for the offset and/or refunding the amounts of road tax paid in excess of the amounts prescribed by the Code shall be prescribed by the Government of the Republic of Armenia.

## **SECTION 10**

### **NATURAL RESOURCES UTILISATION PAYMENT**

## **CHAPTER 40**

### ***NATURAL RESOURCES UTILISATION PAYMENT, PAYERS AND AUTHORISED BODIES***

#### **Article 197. Natural resources utilisation payment**

1. Natural resources utilisation payment shall mean the payment made to the State Budget of the Republic of Armenia in accordance with this Section for the efficient and

integrated utilisation of natural resources considered to be state property, as well as for the purpose of compensating for the utilisation of natural resources.

2. Within the meaning of this Section, royalty shall be considered to be a type of natural resources utilisation payment which is a payment made to the State Budget of the Republic of Armenia in accordance with this Section for the purpose of compensating for the utilisation of metallic minerals, as well as for the profits derived from the sale of metallic minerals and the products derived as a result of processing of metallic minerals.

#### **Article 198. Payers of natural resources utilisation payment**

1. Payers of natural resources utilisation payment shall be the organisations and natural persons prescribed by part 1 of Article 200 of the Code carrying out activities and/or performing operations considered to be objects of natural resources utilisation payment:

- (1) payers of natural resources utilisation payment for the utilisation of surface water shall be the water users making use of surface water resources (rivers, lakes);
- (2) payers of natural resources utilisation payment for the extraction of sweet and thermal groundwater shall be those extracting sweet and thermal groundwater (internal pressure and non-pressure artesian and annual renewable water resources);
- (3) payers of natural resources utilisation payment for the extraction of mineral groundwater shall be the subsoil users involved in extraction of mineral groundwater of the Republic of Armenia (including for the produced carbon dioxide);
- (4) payers of natural resources utilisation payment for the salt extraction shall be the subsoil users involved in salt extraction in the Republic of Armenia;

(5) payers of natural resources utilisation payment for the extraction of solid non-metallic minerals (except for salt) shall be the subsoil users involved in the extraction of solid non-metallic minerals (except for salt) in the Republic of Armenia;

(6) payers of natural resources utilisation payment for the utilisation of biological resources shall be those using the biological resources constituting objects of flora and fauna;

(7) royalty payers prescribed by part 2 of this Article.

2. Royalty payers shall be:

(1) organisations exploiting mines of metallic minerals and producing ore concentrates (hereinafter referred to as “concentrates”) or castings or any other products through the processing of ore, concentrates, castings;

(2) organisations exploiting mines of metallic minerals and producing any products from the metallic minerals extracted from these mines without concentrate formation;

(3) organisations producing ore concentrates and/or castings from waste of subsoil use and/or ore or any other products through the processing of waste of subsoil use, ore, concentrates, castings, irrespective of the fact of exploiting a mine of metallic minerals.

## **Article 199. Used concepts and authorised bodies**

1. The concepts used in the Water, Subsoil and Forest Codes of the Republic of Armenia, the Laws of the Republic of Armenia “On National Water Programme”, “On flora”, “On fauna”, “On waste” and the legal acts adopted in accordance therewith shall be used in this Section in the context and the meaning used in these legal acts, unless otherwise prescribed by this Section.

2. Within the meaning of this Section, the concept “authorised body” prescribed by Article 4 of the Code shall have the following meaning:

- (1) authorised body on subsoil use — state administration authorised body exercising state control over subsoil use and maintenance;
- (2) Subsoil State Inspectorate — subdivision authorised to exercise administration and inspection in the field of subsoil use and maintenance as prescribed by law;
- (3) environmental body — state management authorised body in the fields of nature protection, preservation, protection, use and reproduction of flora and fauna;
- (4) environmental inspectorate — subdivision authorised to exercise administration and inspection over compliance with and fulfilment of the requirements of environmental legislation as prescribed by laws.

## **CHAPTER 41**

### ***OBJECT OF NATURAL RESOURCES UTILISATION PAYMENT, BASE AND RATES***

#### **Article 200.        Object of natural resources utilisation payment**

1. Objects of natural resources utilisation payment shall include:
  - (1) the use of surface waters;
  - (2) extraction of sweet and thermal groundwater;
  - (3) extraction of mineral groundwater (including the production of carbon dioxide);
  - (4) salt extraction;
  - (5) extraction of solid non-metallic minerals (except for salt);
  - (6) utilisation of biological resources;
  - (7) object of royalty — disposition of the product prescribed by Article 202 of the Code derived as a result of processing of the extracted metallic minerals or ore or waste of subsoil use.

## **Article 201. Base of natural resources utilisation payment**

1. Base of natural resources utilisation payment shall be the value or physical value of the object of natural resources utilisation payment or the characteristic, based on which the sum of the natural resources utilisation payment is calculated at the rates and in the manner prescribed by this Section. In particular:

(1) base of natural resources utilisation payment for the use of surface waters shall be the actual amount of water withdrawn from surface water resources, irrigation ditches, i.e. from natural springs for utilisation purposes;

(2) base of natural resources utilisation payment for the extraction of sweet and thermal groundwater shall be the actual amount of used (extracted) water of sweet and thermal water resources (internal pressure and non-pressure artesian and annual renewable water resources), i.e. the amount of the water thrown (effused) onto the ground surface from boreholes (springs);

(3) base of natural resources utilisation payment for the extraction of mineral groundwater (including for the production of carbon dioxide) shall be:

a. the actual amount of the extracted mineral water, i.e. the amount of the water thrown (effused) onto the ground surface from boreholes (springs);

b. where along with the extraction of mineral groundwater, carbon dioxide is produced, the base of natural resources utilisation payment shall be the actual amount of the produced carbon dioxide;

(4) base of natural resources utilisation payment for salt extraction shall be the actual amount of extracted salt;

(5) base of natural resources utilisation payment for the extraction of solid non-metallic minerals (except for salt) shall be the depleted amount of the mineral resources (hereinafter also referred to as “depleted resource” in this Section), that is the sum of the amount of the extracted resources of minerals and the amount of the

resources lost in the subsoil during the extraction, except for necessary technological losses. Within the meaning of this point, necessary technological losses shall be the losses of minerals occurring during the application of the technologies and systems chosen for the purpose of extraction of minerals during the exploitation of mines of solid non-metallic minerals which shall be indicated in the minerals extraction project and the maximum amount whereof cannot exceed the amount of the technological losses approved by the geological-economic substantiation having served as a basis for the evaluation of the mineral resources;

(6) base of natural resources utilisation payment for the utilisation of biological resources shall be the amount, weight or the unit (quantity) or any other physical characteristic of measurement constituting an object of flora and fauna.

## **Article 202. Royalty base**

1. Royalty base shall be the sales turnover of any end product derived from the supplied concentrate, casting instead of concentrate or casting without concentrate formation or as a result of processing waste of subsoil use, ore, concentrate, casting (hereinafter — with concentrate — referred to as “product” in this Section) during the reporting period.

2. For the purpose of calculation of royalty, the sales turnover shall be determined by the accrual method.

3. The sales turnover of concentrate shall be calculated by the royalty payers as follows:

(1) physical volume of the supplied concentrate shall be the final content of metal in the supplied concentrate prescribed by the supply contract (based on the results of the final settlement carried out in accordance with the contract) concluded between the supplier and the buyer expressed in weight units (in grams or tonnes). Where under the supply contract, the supply and final settlement of the concentrate is carried

out in different reporting periods of the royalty calculation, the content of metal expressed in weight units (in grams or tonnes) under the terms of the contract (according to the primary certificate of quality and the settlement documents issued by the supplier) shall serve as a physical volume for the calculation of the sales turnover during the reporting period of supply of the concentrate;

(2) the contract value for the supplied concentrate determined based on the price-fixing period and price quotation (based on the results of the final settlement carried out in accordance with the contract) under the contract on supply of concentrate concluded between the supplier and the buyer shall serve as the value of the physical volume of the supplied concentrate. Where under the contract on supply of concentrates, the supply of the concentrates and the final settlement are carried out in different reporting periods of the royalty calculation, the contract value determined and in effect under the terms of the contract at the moment of supply shall serve as the value of the physical volume for the calculation of the sales turnover during the reporting period of supply of the concentrate without the value added tax;

(3) the contract value determined under the contract on supply of goods concluded between the supplier and the buyer for the physical volume supplied during the reporting period (based on the results of the final settlement carried out in accordance with the contract) shall serve as the sales turnover of the concentrate supplied in the reporting period of royalty calculation (irrespective of the conditions of supply), having regard to the following:

a. within the meaning of royalty calculation, the maximum negative deviation rate of the volume determined at the moment of supply from the physical volume determined based on the results of the final settlement of the contract on supply of concentrate shall be two percent of the volume determined at the moment of supply;

b. within the meaning of royalty calculation, the reduction in sales turnover due to greater deviations from the indices provided for by the contract that have been detected at the moment of supply or later (including the excessive decrease in prices

of the chemical elements (penalty elements) giving rise to technological complexities in the supplied concentrate provided for by the contract, decrease in the contract price in case of violation of the permissible humidity index provided for by the contract) shall not be taken into account;

c. where based on the results of each month including the reporting period of the royalty, the royalty sales turnover is less by ten or more percent than the sales turnover calculated based on the final content of metals contained in the supplied concentrate based on the results of the given month and the global average prices of the metals for the given month, the sales turnover for that month shall be calculated as the product of the final content of metals in the concentrate supplied during the month and the 90 percent of the global average prices of the metals for the given month;

d. verifications following the final settlement of the royalty base provided for by the contract on supply of concentrates shall be performed and the results thereof shall be shown in the reporting period including the final settlement (shall be shown in the tax calculation reports of royalties of the given reporting period).

4. Sales turnover of castings shall be calculated by the royalty payer as follows:

(1) physical volume of castings shall be the weight of the concentrates supplied during the reporting period under the contract on supply of castings concluded between the supplier and the buyer, expressed in grams or tonnes;

(2) calculated value of the concentrate (physical volume of the concentrate) used for the casting supplied during the reporting period shall be the physical volume of the technologically substantiated concentrate actually used for the purposes of production of weight unit of casting, i.e. the final content of metals in the concentrate expressed in weight units (grams or tonnes);

(3) sales turnover of castings shall be calculated based on the physical volume of the concentrate used as applicable for the supplied casting, by applying the global average prices of metals contained in the concentrate.



5. Sales turnover of any end product derived as a result of processing of concentrates, castings by the royalty payer shall be calculated as follows:

(1) physical volume of the end product shall be the weight of all the metals used for the production of the product supplied in accordance with the contract on supply of the product concluded between the supplier and the buyer, expressed in grams or tonnes;

(2) in the end product, the technologically substantiated calculated value of the physical volume of the concentrate of the given metal (the final content of metals in the concentrate expressed in weight units (grams or tonnes) which was used in order to derive the metal of the given volume contained in the product supplied during the reporting period shall serve as a basis for the calculation of royalty for each metal;

(3) the sales turnover of the end product shall be calculated based on the physical value of the concentrate used as applicable for the supplied end product, by applying the global average prices of metals contained in the concentrate.

6. For the purpose of determining the sales turnover, the physical volume of any product derived as a result of the processing of ore without concentrate formation shall be the actual amount of metal contained therein, expressed in grams or tonnes. In the case of sale of the product prescribed by this part, the sales turnover shall be calculated based on the final content of metals (expressed in weight units (grams or tonnes), by applying the global average prices of metals.

7. Within the meaning of this Section, the global average price of a metal shall be the monthly price published by the authorised body of the Republic of Armenia in the field of finances based on the data received from the London Metal Exchange.

**Article 203. Natural resources utilisation payment base limits**

1. The following natural resources utilisation payment base limits shall be prescribed for the calculation of natural resources utilisation payment and application of rates:

(1) volumes of water use (irrigation ditches of surface waters) prescribed by the permits for the use of water issued in accordance with the Water Code of the Republic of Armenia for the utilisation of surface waters;

(2) volumes of sweet and thermal groundwater extraction prescribed by the permits for the use of water issued in accordance with the Water Code of the Republic of Armenia for the extraction of sweet and thermal groundwater;

(3) volumes of extraction of minerals provided for by the contract on subsoil use concluded for mining purposes in accordance with the Subsoil Code of the Republic of Armenia for extracted mineral groundwater resources (including the production of carbon dioxide), as well as for extracted salt resources;

(4) the actual depleted volumes indicated in the unified tax calculation reports of environmental tax and natural resources utilisation payment submitted for the corresponding reporting period within the total volumes of depletion of minerals provided for by the contract on subsoil use concluded between the subsoil user and the authorised body in accordance with the Subsoil Code of the Republic of Armenia for the depleted resources of solid non-metallic minerals. From the reporting period of exceeding the total volumes of depletion of minerals provided for by the contract on subsoil use until the change in the total volumes of depletion of minerals under the contract, the actual depleted volumes exceeding the total volumes of depletion of minerals provided for by the contract indicated in unified tax calculation reports of environmental tax and natural resources utilisation payment shall be considered to be volumes exceeding the limits;

(5) for the use of biological resources:

- a. for the use of timber and secondary forest product — the volumes of timber and secondary forest product utilisation (storage) prescribed by the contracts on forest use (including by deforestation, forest use permits, small-scale distribution of standing timber) concluded in accordance with the Forest Code of the Republic of Armenia;
- b. for the use of biological resources constituting objects of flora (except for timber and secondary forest product) — the volumes of use (storage, harvesting, livestock grazing and other uses) of plant resources prescribed by the permits or licences for the use of plant resources issued by the authorised body in accordance with the legislation of the Republic of Armenia;
- c. for the use of biological resources constituting objects of fauna — the volumes of use of biological resources prescribed by the contract and licence on the use of animal resources concluded by the authorised body in accordance with the legislation of the Republic of Armenia.

2. For the purposes of calculation of the natural resources utilisation payment and application of rates, the natural resources utilisation payment base limits shall be deemed to be equal to zero in the following cases:

- (1) for the use of surface waters — failure to obtain permits for the use of water in accordance with the Water Code of the Republic of Armenia or where the volumes of irrigation ditches of surface waters are not indicated in the permits for the use of water;
- (2) for the extraction of sweet and thermal groundwater — failure to obtain permits for the use of water in accordance with the Water Code of the Republic of Armenia or where the volumes of the extraction of sweet and thermal groundwater are not indicated in the permits for the use of water;
- (3) pursuant to the Subsoil Code of the Republic of Armenia, failure to enter into a contract on subsoil use on extraction of solid non-metallic minerals (including salt) and mineral groundwater or where the volumes subject to depletion or extraction are not indicated in the contract;

(4) pursuant to the Forest Code of the Republic of Armenia, failure to enter into a contract on forest use (including by deforestation, forest use permits, small-scale distribution of standing timber) for the use (storage) of timber and secondary forest product;

(5) pursuant to the legislation of the Republic of Armenia, failure to enter into a contract on the use of biological resources (except for timber and secondary forest product) or where the volumes subject to use are not indicated in the contract.

**Article 204. Rates for the natural resources utilisation payment for the use of surface waters**

1. The natural resources utilisation payment for the use of surface waters (except for Lake Sevan) shall be calculated at the following rates against the natural resources utilisation base (having regard to the provisions of part 5 of this Article):

Purpose (designation) of the use of surface waters	Rate per each cubic metre used during the reporting period (AMD)
For fishery purposes	1
For industrial purposes	0.5
For drinking and domestic purposes, except for the case referred to in point 4	0.5
For organisations and local self-government bodies providing services of drinking water supply and water disposal	0.025
For irrigation purposes	0

2. Natural resources utilisation payment for the use of water from Lake Sevan shall be calculated at the following rates against the natural resources utilisation payment base (having regard to the provisions of part 5 of this Article):

Purpose of use of surface waters	Rate per each cubic metre used during the reporting period (AMD)
For irrigation	0.2
For other purposes	1.5

3. In the case of exceeding the natural resources utilisation payment base limits prescribed by part 1 of Article 203 of the Code, the three-fold value of the rates prescribed by parts 1 and 2 of this Article shall be applicable as rates for the actually used volumes of water exceeding the limits of water use for any of the purposes prescribed by these parts.

4. In the case of zero limits of the base of the natural resources utilisation payment prescribed by part 2 of Article 203 of the Code, the following values of the rate prescribed by parts 1 and 2 of this Article shall be applicable as rates for the actual volumes of water used for any of the purposes prescribed by these parts:

- (1) ten-fold of the rate in Ararat and Armavir marzes of the Republic of Armenia;
- (2) five-fold of the rate in other territories of the Republic of Armenia.

5. From 1 January 2018, the natural resources utilisation payment rates for the use of surface waters shall be equal to the product of the rates prescribed by parts 1 and 2 of this Article and the coefficient of 1.1, from 1 January 2019 — the product of the rates prescribed by parts 1 and 2 of this Article and the coefficient of 1.2, and from 1 January 2020 — the product of the rates prescribed by parts 1 and 2 of this Article and the coefficient of 1.3.

**Article 205. Natural resources utilisation payment rates for the extraction of sweet and thermal groundwater**

1. The natural resources utilisation payment for the extraction of drinkable sweet groundwater shall be calculated at the following rates against the natural resources utilisation payment base (having regard to the provisions of part 6 of this Article):

Purpose (designation) of the use of drinkable sweet groundwater	Rate per each cubic metre extracted during the reporting period (AMD)
For any purposes, except for the case referred to in point 2	1.0
For organisations and local self-government bodies providing services of drinking water supply and water disposal	0.05

2. Per each cubic metre of undrinkable sweet groundwater extracted during the reporting period for any other purposes than irrigation, the natural resources utilisation payment shall be calculated at the rate of AMD 1.0 (having regard also to the provisions of part 6 of this Article).

3. Per each cubic metre of thermal groundwater extracted during the reporting period for recreational purposes (including for use in swimming pools for leisure purposes), the natural resources utilisation payment shall be calculated at the rate of AMD 50 (having regard also to the provisions of part 6 of this Article).

4. In the case of exceeding the natural resources utilisation payment base limits prescribed by part 1 of Article 203 of the Code, the three-fold value of the rates prescribed by parts 1-3 of this Article shall be applicable as rates for the actually extracted volumes of water exceeding the limits of extraction for any of the purposes prescribed by these parts.

5. In the case of zero limits of the base of the natural resources utilisation payment prescribed by part 2 of Article 203 of the Code, the following values of the rate prescribed by parts 1-3 of this Article shall be applicable as rates for the actual volumes of water extracted for any of the purposes prescribed by these parts:

- (1) ten-fold of the rate in Ararat and Armavir marzes of the Republic of Armenia;
- (2) five-fold of the rate in other territories of the Republic of Armenia.

6. From 1 January 2018, the natural resources utilisation payment rates for the use of sweet and thermal groundwater shall be equal to the product of the rates prescribed by parts 1-3 of this Article and the coefficient of 1.1, from 1 January 2019 — the product of the rates prescribed by parts 1-3 of this Article and the coefficient of 1.2, and from 1 January 2020 — the product of the rates prescribed by parts 1-3 of this Article and the coefficient of 1.3.

**Article 206. Natural resources utilisation payment rates for mineral groundwater and salt extraction**

1. The natural resources utilisation payment for the extracted resources of mineral groundwater shall be calculated at the following rates against the natural resources utilisation payment base (having regard to the provisions of part 6 of this Article):

Purpose (designation) of extraction of mineral water	Rate per each cubic metre extracted during the reporting period (AMD)
For industrial purposes	5 650
For therapeutic purposes, including:	
a. for the purposes of balneotherapy (bathing, shower bath, hydromassage, enema, water drinking, etc):	300

b. for use in beverage rooms:	0
For production of carbon dioxide	230
For recreational purposes (including for use in swimming pools for leisure purposes)	75

2. The natural resources utilisation payment for the produced carbon dioxide shall be calculated at the following rates against the natural resources utilisation payment base (having regard also to the provisions of part 6 of this Article):

Mine	Rate per each cubic metre of produced carbon dioxide (AMD)
“Jermuk” mine	60
“Arzni” mine	70
“Hanqavan” mine	60
“Bjni” mine	55
“Lichk” mine	45
“Solak” mine	45
“Karashamb” mine	60
“Arzakan” mine	115
“Sayat-Nova” mine	115
Other mines	45



3. The natural resources utilisation payment for salt extraction shall be calculated at the following rates against the natural resources utilisation payment base (having regard also to the provisions of part 6 of this Article):

Extraction method	Rate per each extracted tonne (AMD)
In the form of rock salt	660
In the form of saline	70

4. In the case of exceeding the natural resources utilisation payment base limits prescribed by part 1 of Article 203 of the Code, the three-fold value of the rates prescribed by parts 1-3 of this Article shall be applicable as rates for the actually extracted (produced) volumes exceeding the limits of extraction for any of the purposes prescribed by these parts.

5. In the case of zero limits of the base of the natural resources utilisation payment prescribed by part 2 of Article 203 of the Code, the five-fold value of the rates prescribed by parts 1-3 of this Article shall be applicable as rates for the actually extracted (produced) volumes exceeding the limits of extraction for any of the purposes prescribed by these parts.

6. From 1 January 2018, the natural resources utilisation payment rates for the extraction of mineral groundwater and salt shall be equal to the product of the rates prescribed by parts 1-3 of this Article and the coefficient of 1.1, from 1 January 2019 — the product of the rates prescribed by parts 1-3 of this Article and the coefficient of 1.2, and from 1 January 2020 — the product of the rates prescribed by parts 1-3 of this Article and the coefficient of 1.3.

**Article 207. Natural resources utilisation payment rates for the extraction of solid non-metallic minerals (except for salt)**

1. The natural resources utilisation payment for the extraction of solid non-metallic minerals (except for salt) shall be calculated at the following rates against the natural resources utilisation payment base (having regard also to the provisions of part 4 of this Article):

(1) per each tonne of depleted resources of fuel and energy raw materials:

a. natural resources utilisation payment rates:

Type of the mineral	Rate (%)
Coal	5
Peat	3
Oil shale	3

b. fixed rates of natural resources utilisation payment:

Type of the mineral	Rate (AMD)
Coal	1 200
Peat	600
Oil shale	450

(2) per each cubic metre of depleted resources of raw materials for the production of construction materials:

a. natural resources utilisation payment rates:

Type of the mineral	Rate (%)
Raw materials for cement (clay, limestone, travertine, magnesium silicate rocks, troctolite-peridotite rocks)	6
Limestone (for production of lime)	3
Clay	4
Natural mineral paints	4
Gypsum-bearing clay	4

b. fixed rates of natural resources utilisation payment:

Type of the mineral	Rate (AMD)
Raw materials for cement: clay, limestone, travertine	360
Raw materials for cement: magnesium silicate rocks, troctolite-peridotite rocks	150
Limestone (for production of lime)	112
Clay	90
Gypsum-bearing clay	900
Natural mineral paints	4 500

(3) per each kilogram of depleted resources of coloured stones:

a. natural resources utilisation payment rates:

Type of the mineral	Rate (%)
Agate	6

Turquoise	6
Obsidian (rainbow obsidian)	6
Jasper	6
Onyx-like marble	5
Listvenite	5
Obsidian	7

b. fixed rates of natural resources utilisation payment:

Type of the mineral	Rate (AMD)	
Obsidian	22	
Listvenite	2 250	
Onyx-like marble	monolith, facing stone	construction aggregate, crushed stone as raw material for artisan stones
	135	22

(4) per each unit of depleted resources of raw materials of metallurgical, chemical, light industry and other sectors of industry:

a. natural resources utilisation payment rates:

Type of the mineral (unit of measurement)	Rate (%)
Zeolite (cubic metre)	5

Pearlite (cubic metre)	6
Diatomite (cubic metre)	6
Bentonite (cubic metre)	6
Dunite and peridotite, magnesium silicate rocks, troctolite-peridotite rocks (tonne)	4
Refractory clay (tonne)	4
Andesite, basaltic andesite (acid-proof raw material) (tonne)	4
Sulfur (tonne)	3
Quartzite (raw material for glass, flux material) (tonne)	3
Dolomite (tonne)	3.5
Baryte (tonne)	5

b. fixed rates of natural resources utilisation payment:

Name of the mineral	Unit of measurement	Rate (AMD)
Andesite, basaltic andesite (acid-proof raw material), rhyolitic-dacitic tuff	tonne	90
Baryte	tonne	180
Bentonite	tonne	2 500
Diatomite	cubic metre	1 150
Dolomite	tonne	180

Dunite and peridotite	tonne	450
Magnesium silicate rocks	tonne	150
Quartzite (raw material for glass, flux material)	tonne	1 600
Refractory clay	tonne	230
Pearlite	cubic metre	2 050
Zeolite	cubic metre	1 800
Grinding material	kg	23

(5) natural resources utilisation payment rates for each cubic metre of depleted resources of facing stones:

Type of the mineral	Rate (%)
Tuff	5
Felsic tuff (including decorative)	6
Granite (granodiorite, granosyenite)	7
Marble, marbleised limestone	5
Decorative marble	6
Conglomerates and conglo-breccia	7
Travertine	6
Basalt	4.5
Hyalobasalt	6

(6) natural resources utilisation payment rates for each cubic metre of depleted resources of construction stones:

Type of the mineral	Rate (%)
Tuff	4
Tuff sandstones	3.5
Basalt	3.5
Andesite, basaltic andesite, etc.	3.5
Porphyrite	3
Limestone	3.5

(7) natural resources utilisation payment rates for each cubic metre of depleted resources of construction aggregates and ballast raw materials:

Type of the mineral	Rate (%)
Scoria	3
Pumice	4
Sand and crushed stone mixture (sand, crushed stone, etc.)	3
Ballast raw materials (porphyrite, basalt, basaltic andesite, liparite, etc.)	3

(8) fixed rates of the natural resources utilisation payment for each cubic metre of depleted resources of facing stones, construction stones, construction aggregate and ballast raw materials:

Name of the mineral	Outcome of facing stones, construction stones from depleted resources (percent)	Rate (AMD)		
		facing stone	construction stone	construction aggregate and ballast raw material
Basaltic andesite, andesite, basalt, hyalobasalt, doleritic basalt, liparite and other similar varieties	up to 30	1 125	450	135
	30-40	1 350	630	
	40-50	1 575	720	
	over 50	1 800	900	
Gabbro, granite, tuff sandstones, monzonite, granodiorite, granosyenite and other similar varieties	up to 30	3 150	-	180
	30-40	4 500	-	
	40-50	5 850	-	
	over 50	6 750	-	
Conglomerate, conglo-breccia and other similar varieties	over 20	3 600	-	-
	20-30	4 500	-	
	30-40	5 400	-	
	over 40	6 300	-	
Marble, marbleised limestone, diabase porphyrite, diabase, porphyrites and other similar varieties	up to 20	2 700	-	1 350
	20-30	3 600	-	
	30-40	4 500	-	
	over 40	5 400	-	
Tuff, limestone and other similar varieties	up to 30	900	315	90
	30-40	1 125	450	
	40-50	1 350	585	
	over 50	1 575	675	



Felsic tuff, travertine, tuff-breccia, non-welded tuff sandstones and other similar varieties	up to 30	2 025	675	90
	30-40	2 250	900	
	40-50	2 475	1 125	
	over 50	2 700	1 350	
Scoria and other similar varieties		-	-	135
Pumice, perlite and other similar varieties		-	-	157
Sand-and-grave, sand-grave-and-boulder mixtures and other similar varieties		-	-	157

2. In the case of exceeding the natural resources utilisation payment base limits prescribed by part 1 of Article 203 of the Code, the five-fold value of the rates prescribed by part 1 of this Article shall be applicable as rates for the volumes of actually depleted resources exceeding the limits for each type of minerals prescribed by the same part.

3. In the case of zero limits of the base of the natural resources utilisation payment prescribed by part 2 of Article 203 of the Code, the five-fold value of the rates prescribed by part 1 of this Article shall be applicable as rates for the volumes of actually depleted resources exceeding the limits for each type of minerals prescribed by the same part.

4. From 1 January 2018, the fixed rates of natural resources utilisation payment for the extraction of solid non-metallic minerals shall be equal to the product of the rates prescribed by parts 1-3 of this Article and the coefficient of 1.1, from 1 January 2019 — the product of the rates prescribed by parts 1-3 of this Article and the coefficient of 1.2, and from 1 January 2020 — the product of the rates prescribed by parts 1-3 of this Article and the coefficient of 1.3.

**Article 208. Natural resources utilisation payment rates for the use of biological resources**

1. For the use of biological resources constituting objects of flora, the natural resources utilisation payment shall be calculated at the following rates against the natural resources utilisation base (having regard to the provisions of part 7 of this Article):

(1) in the case of use (storage) of timber and secondary forest product, for use of each cubic metre of the tree type:

Forest tree species	Distance (km)	Rate (AMD)				
		barkless construction timber, according to the cross section (cm)			engineering timber (1 metre in length, barked)	Firewood (1 metre in length, barked)
		over 25	13 through 25	3 through 13		
Oak, ash, maple, elm	up to 10 inclusive	5 700	5 250	4 380	2 600	700
	10 through 25	4 390	4 040	3 370	2 040	630
	25 through 40	3 990	3 670	3 070	1 670	560
	over 40	3 420	3 150	2 630	1 300	420
Pine, lilia	up to 10 inclusive	3 300	3 000	2 540	1 200	700
	10 through 25	2 540	2 310	1 950	1 060	630
	25 through 40	2 310	2 100	1 780	930	560
	over 40	1 980	1 800	1 520	800	420

Beech	up to 10 inclusive	3 000	2 700	2 310	1 500	700
	10 through 25	2 310	2 080	1 780	1 155	630
	25 through 40	2 100	1 890	1 620	1 050	560
	over 40	1 800	1 620	1 390	900	420
Hornbeam and other tree species	up to 10 inclusive	1 250	1 100	960	500	420
	10 through 25	960	850	740	360	350
	25 through 40	870	770	680	280	280
	over 40	750	660	580	250	210

The below-listed concepts used in this point shall be used in the following meanings:

- a. snag — a standing tree which has dried up due to natural ageing, severe deterioration of conditions for forest growth, natural disasters (wildfire), diseases, severe contamination by pests and due to other causes;
- b. utilisation of timber — lopping off of separate twig, removal of stumps and transfer thereof from the forest, collection of waste wood and removal thereof from the forest;
- c. distance — the distance between the forest boundary (where the timber will be removed from through the forest road) and the place of tree felling;

(2) for the use of each unit of plants for industrial purposes:

a. for each kilogram of widely used medicinal plants (helichrysum plicatum, valerian, cephalaria gigantea, grey germander, Hypericum perforatum (St John's wort), white bryony, red bryony, common leonurus, common origanum, common tussilago (coltsfoot), wormwood, black elder, rowan, chicory, broadleaf plantain, thymus kotschyanus, small-leaved lime, common barberry, hawthorn (midland hawthorn)):

Aerial parts	AMD 100
Roots	AMD 300

b. for each kilogram of medicinal plants not referred to in sub-point (a) of this point:

Aerial parts	AMD 50
Roots	AMD 200

c. for each kilogram of widely-used food plants (bulbous chervil, sickleweed, Solomon's seal, Eurasian Solomon's seal, foxtail lilies, garden asparagus, small-fruited hornbeam, curly dock):

Aerial parts	AMD 15
Roots	AMD 50

d. for each kilogram of food plants not referred to in sub-point (c) of this point:

Aerial parts	AMD 10
Roots	AMD 30

e. for each kilogram of engineering plants:

Aerial parts	AMD 50
Roots	AMD 150

f. for each unit (item) of ornamental plants:

Aerial parts	AMD 10
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g. for each kilogram of plant resins: AMD 500;

(3) for each kilogram of fruits, berries and walnuts used for industrial purposes:

Fruits, berries	AMD 30
Acorn (oak nut), walnut	AMD 60

(4) for the single (non-recurrent) use of each hectare of the lands of forest reserve for agricultural, i.e. hay making purposes, AMD 2 000;

(5) for the use of the lands of forest reserve for agricultural, i.e. grazing purposes per each animal (cattle and small cattle, suidae, horses) and per each day:

In improved pastures	AMD 3
In natural pastures	AMD 2

2. In the case of exceeding the natural resources utilisation payment base limits prescribed by part 1 of Article 203 of the Code:

(1) for actual volumes of the use (storage) of each tree type exceeding the limits for the use (storage) of timber and secondary forest product, the ten-fold value of the rates prescribed by point 1 of part 1 of this Article shall be applicable;

(2) for each type of used biological resources exceeding the limits for the use of biological resources not referred to in point 1 of this part, the three-fold value of the rates prescribed by sub-points 2-5 of part 1 of this Article shall be applicable as rates.

3. In the case of zero limits of the natural resources utilisation payment base prescribed by part 2 of Article 203 of the Code:

(1) in the case of use (storage) of timber and secondary forest product, the ten-fold value of the rates prescribed by point 1 of part 1 of this Article shall be applicable as rates for the actual volumes of use (storage) of each tree type;

(2) in the case of use of the biological resources not referred to in point 1 of this part, the three-fold value of the rates prescribed by sub-points 2-5 of part 1 of this Article shall be applicable as rates for each type of used biological resources.

4. For the use of the biological resources constituting objects of fauna, the natural resources utilisation payment shall be calculated at the following rates against the natural resources utilisation base (having regard to the provisions of part 7 of this Article):

(1) for the use of animal species for agricultural, industrial and social purposes:

Animal species	Rate (AMD)
(a) for the use of each unit of mammals	
Wild boar	50 000
European badger (meles)	2 500
Vulpes	500

Stone marten	2 000
Coypu	500
Russian desman	500
Leporidae	800
Squirrel	300
Dormouse	200
Talpidae	20
Roe deer	85 000
Jungle cat	50 000
Lynx	50 000
Water cat	10
(b) for the use of each unit of birds	
Black kite	10 000
Hen harrier	10 000
Sparrowhawk	5 000
Common buzzard	10 000
Steppe buzzard	10 000
Rough-legged buzzard	10 000
Common kestrel	5 000
Hobby	30 000

Other falconiformes (except for the species included in the Red List of Animals of the Republic of Armenia)	5 000
Anseriformes (Eurasian teal, mallard, garganey, common pochard, tufted duck)	500
Partridge	500
Quail	100
Coot	300
Ruff, redshank, snipe	100
Columbiformes (common turtle dove, rock dove, wood pigeon)	100
Cuculiformes	200
Common nightjar	500
Common lapwing	500
Swift	300
River kingfisher	300
Hoopoe	100
Woodpecker	300
Passeriformes (house sparrow, common starling, common blackbird, fieldfare, Eurasian skylark, calandra lark)	100
Moorhen	500
European bee eater	1 500
(c) for the use of each unit of reptiles:	



Blunt-nosed viper	3 000
Other species of snakes (except for the species included in the Red List of Animals of the Republic of Armenia)	1 000
Caspian turtle	200
(d) for the use of each unit of amphibians	
Frogs (marsh frog, Caucasian frog) (kg)	70
Common tree frog (unit)	200
Green toad (unit)	10
(e) for the use of each unit of molluscs	
Swan mussel (unit)	20
Roman snail (kg)	200
Other molluscs (kg)	100
(f) for the use of each unit of arthropods	
Crayfish (kg)	50
Broad-tailed scorpion (unit)	20
Other arthropods (unit)	10
(g) for the use of each kilogram of fish	
Coregonus	50
Wels catfish	400
Grass carp, black carp, bighead carp	500
Trout	1 000

Crucian carp	20
Cyprinus	100
Other fishes not referred to in the list (except for the fishes included in the Red List of Animals of the Republic of Armenia)	30

(h) in the case of the use of snake venom, the natural resources utilisation payment rate for each gramme of venom shall be calculated by applying the coefficient of 3.0 against the rate prescribed by sub-point “c” of this point for the relevant type of snake;

(i) in the case of the use of caviar, the natural resources utilisation payment rate for each kilogram of caviar shall be calculated by applying the coefficient of 10.0 against the relevant rates prescribed by sub-point “g” of this point;

(2) for the use (acquisition) for purposes of reproduction of the types of wild animals included in the Red List of Animals of the Republic of Armenia in artificial and natural conditions (except for migration for research purposes):

Wild animal species	Rate (AMD)
(a) for each unit of mammals:	
Mediterranean horseshoe bat, Mehley’s horseshoe bat, Blasius’s horseshoe bat, common bent-wing bat, Araks bat, Armenian bat, Bechstein’s bat, Asian barbastelle, brown long-eared bat, European free-tailed bat	2 500
Long-eared hedgehog	2 500
Transcaucasian water shrew	2 500

Etruscan shrew	2 500
Indian crested porcupine or porcupine	7 000
Dahl's jird, Armenian birch mouse, Shidlovsky's pine vole, small five-toed jerboa, Asia Minor ground squirrel	2 500
Brown bear	350 000
Marbled polecat	10 000
Eurasian otter	50 000
Wildcat (subtype: European wild cat)	50 000
Leopard (subtype: Caucasian leopard)	800 000
Pallas's cat	20 000
Wild goat	500 000
Armenian mouflon	600 000
Hyena	100 000
Caspian red deer, maral	300 000
(b) for each unit of birds:	
Northern goshawk	50 000
Egyptian vulture	50 000
Red kite, white-tailed eagle, steppe eagle, Eastern imperial eagle, tawny eagle, booted eagle, osprey	25 000
Saker falcon, peregrine falcon	75 000
Griffon vulture, cinereous vulture	25 000

Lammergeier (bearded vulture)	50 000
Short-toed snake eagle, lesser kestrel	7 500
Pallied harrier, Montagu's harrier, levant sparrowhawk	7 000
Red-footed falcon, merlin, lanner falcon	5 000
Lesser spotted eagle, greater spotted eagle	2 500
Common pheasant	5 000
Black francolin	5 000
Eurasian oystercatcher, Kentish plover, greater sand plover, sociable lapwing, white-tailed lapwing, black-tailed godwit, Eurasian curlew, great snipe, black-winged stilt, pied avocet, collared pratincole, black-winged pratincole, Armenian gull	2 500
Gull-billed tern, little tern, whiskered tern	2 000
Eurasian eagle-owl	5 000
Boreal owl	2 500
Black-bellied sandgrouse	2 000
Red-necked grebe	2 500
Great white pelican, Dalmatian pelican	20 000
Great cormorant, pygmy cormorant	7 500
Black stork	7 000
Spoonbill	10 000
Glossy ibis	7 500

Greater flamingo	20 000
White-headed duck or stiff-tailed duck, greylag goose, red-breasted goose, lesser white-fronted goose, greater white-fronted goose, ruddy shelduck, common shelduck, ferruginous duck, northern shoveller	5 000
Mute swan, whooper swan, Bewick's swan	20 000
Marbled duck	7 000
Velvet scoter	5 000
Caucasian black grouse	5 000
See-see partridge	5 000
Caspian snowcock (tetraogallus caspius)	12 500
Corncrake, Western swamphen	5 000
Little bustard, great bustard	15 000
Kurdish wheatear, Savi's warbler, Paddyfield warbler, semicollared flycatcher, sombre tit	1 500
Eastern rock nuthatch	2 000
Wallcreeper	2 000
Grey-necked bunting	2 000
Crossbill	1 500
Spanish sparrow	1 000
Common crane, demoiselle crane	15 000
Blue-cheeked bee-eater	2 500

European roller	1 500
Black woodpecker	2 500
Citrine wagtail	1 500
Woodchat shrike	1 500
Alpine chough	2 500
White-throated robin	1 500
Trumpeter finch	1 500
(c) for each unit of reptiles:	
Transcaucasian rat snake, European cat snake, eirenis persicus, black-headed ground snake, Darevsky's viper, Armenian steppe viper, Armenian viper or Radde's viper	3 000
Horvath's toadhead agama, Chernov's snake-eyed skink, golden grass mabuya, Schneider's skink, steppe runner, Transcaucasian racerunner, lizard of Asia Minor, meadow lizard, Dahl's lizard, Rostombekov's lizard, white-bellied lizard	1 500
Spur-thighed tortoise	2 000
(d) for each unit of amphibians:	
Northern banded newt	1 000
Syrian spadefoot	1 000
(e) for each unit (kilogram) of fish:	
Asp	2 000
Trout	8 000

Sevan barbell	2 500
Sevan khramulya	2 000
Armenian roach	1 500
Kura gudgeon	1 500
Golden-spined loach	1 500

5. In the case of exceeding the natural resources utilisation payment base limits prescribed by part 1 of Article 203 of the Code, the three-fold value of the rates referred to in part 4 of this Article shall be applicable for the actual volumes of use of each type exceeding the limits for the use of biological resources constituting objects of fauna.

6. In the case of zero limits of the base of the natural resources utilisation payment prescribed by part 2 of Article 203 of the Code, the three-fold value of the rates referred to in part 4 of this Article shall be applicable for the actual volumes of use of each type of biological resources constituting objects of fauna.

7. From 1 January 2018, the natural resources utilisation payment rates for the use of biological resources shall be equal to the product of the rates prescribed by parts 1 and 4 of this Article and the coefficient of 1.1, from 1 January 2019 — the product of the rates prescribed by parts 1 and 4 of this Article and the coefficient of 1.2, and from 1 January 2020 — the product of the rates prescribed by parts 1 and 4 of this Article and the coefficient of 1.3.

#### **Article 209. Royalty rate**

1. An ad valorem (percentage) rate against the royalty base shall be established for the royalty which shall be calculated using the following formula:

$R = 4 + [P/(H \times 8)] \times 100$ , where

R is the royalty rate in percentage terms;

P is the profit before taxes expressed in drams which shall be calculated as the positive difference between the royalty base and the deductions prescribed by Section 6 of the Code (except for the expenses pertaining to financial activities, royalty prescribed by this Section and tax losses of the previous years);

H is the royalty base in terms of drams.

Within the meaning of this Article:

- (1) when calculating profit before taxes, the expenses pertaining to financial activities, royalty prescribed by this Section and the tax losses of the previous years shall not be deducted from the sales turnover, irrespective of the fact that these expenses and tax losses are related to the exploitation of mines and/or production of metal concentrates;
- (2) when calculating the component of profit before taxes, deductions of the administrative expenses, selling expenses and other non-production expenses of the payer of the natural resources utilisation payment shall be taken into account in the gross revenue at the portion corresponding to the sales turnover.

## CHAPTER 42

### ***BENEFITS OF NATURAL RESOURCES UTILISATION FEE***

#### **Article 210. Benefits of natural resources utilisation payment**

1. The benefits for natural resources utilisation payment shall be prescribed by the laws of the Republic of Armenia.



## CHAPTER 43

### ***CALCULATION OF NATURAL RESOURCES UTILISATION FEE***

#### **Article 211. Reporting period**

1. Each reporting quarter shall be deemed to be a reporting period for calculation and payment of the natural resources utilisation fee, except for the case prescribed by part 2 of this Article.
2. Every reporting year shall be deemed to be a reporting period for calculation and payment of a royalty.

#### **Article 212. Procedure for record-keeping of the actual volumes deemed to be objects of natural resources utilisation fees**

1. For the purpose of keeping records of extracted resources of sweet groundwater and thermal waters, the payers of natural resources utilisation fees shall install and exploit flow gauges (water metres) in the procedure and within the time limits prescribed by the Government of the Republic of Armenia, which shall be subject to sealing by the state authorised bodies prescribed in the same procedure as prescribed by the Government of the Republic of Armenia. The data on the volume of extracted resources shall be recorded in the procedure and within time limits prescribed by the Government of the Republic of Armenia in a joint act of the representatives of relevant authorised bodies and the payer of the natural resources utilisation fee.
2. For the purpose of keeping records of extracted resources of mineral waters, as prescribed by the Government of the Republic of Armenia, the payers of natural resources utilisation fee shall:

- (1) install flow gauges (water metres) on the water-pipe (hereinafter referred to as “the primary pipe”) coming out of the gas shut-off installed directly on the borehole (spring) when exploiting the mineral water borehole (spring) for only one purpose;
- (2) install flow gauges (water metres) on each pipe separated for each purpose of using mineral water connected to the primary pipe when exploiting the mineral water borehole (spring) for more than one purpose simultaneously;
- (3) install a gas metre on the part ahead of the apparatus for obtaining carbon dioxide in the case an apparatus (apparatuses) for obtaining carbon dioxide is (are) installed or connected on the gas pipe coming out of the gas shut-off for the purpose of obtaining carbon dioxide.

The flow gauges (water metres) and gas metres referred to in this part shall be subject to sealing by the state authorised bodies in the same procedure as prescribed by the Government of the Republic of Armenia. The data on the volume of extracted resources shall be recorded in the procedure and within time limits prescribed by the Government of the Republic of Armenia in a joint act of the representatives of tax authority and the payer of the natural resources utilisation fee.

**Article 213. General procedure for calculating natural resources utilisation fee subject to payment to the State Budget**

1. Natural resources utilisation fee subject to payment to the State Budget (except for the case prescribed by part 2 of this Article) shall be calculated for each object of natural resources utilisation fee based on the natural resources utilisation fee base and rates as prescribed by Article 200 of the Code, taking into account the fee base limits.
2. The royalty subject to payment to the State Budget shall be calculated for each reporting period based on the royalty base and the rate defined as prescribed by Article 209 of the Code.

**Article 214. Procedure for calculating the natural resources utilisation fee subject to payment to the State Budget for surface water use**

1. Natural resources utilisation fee subject to payment to the State Budget for surface water use shall be calculated based on the volume of water directly taken from natural water springs for the purpose of using it in the reporting period, taking into account the base limits of natural resources utilisation fees, as well as peculiarities prescribed by part 2 of this Article.

2. Payers of natural resources utilisation fees carrying out fishery and crayfish breeding activities shall calculate the natural resources utilisation fee subject to payment to the State Budget for water use based on:

(1) 10 percent of the total volume of surface waters used in Ararat and Armavir marzes of the Republic of Armenia;

(2) 5 percent of the total volume of surface waters used in other territories of the Republic of Armenia.

3. Natural resources utilisation fee subject to payment to the State Budget for surface water use shall be calculated on the basis of the volume of water taken from natural water springs for the purpose of using it in the reporting period and the rates prescribed by Article 204 of the Code.

**Article 215. Procedure for calculating the natural resources utilisation fee subject to payment to the State Budget for extraction of sweet groundwater and thermal waters**

1. Natural resources utilisation fee subject to payment to the State Budget for extracted resources of sweet groundwater and thermal waters shall be calculated based on the volumes of water extracted in the reporting period, taking into account

the base limits of natural resources utilisation fee, as well as peculiarities prescribed by part 2 of this Article.

2. Payers of natural resources utilisation fees carrying out fishery and crayfish breeding activities shall calculate the natural resources utilisation fee subject to payment to the State Budget for water use based on:

(1) 50 percent of the total volume of the extracted resource of ground waters in Ararat and Armavir marzes of the Republic of Armenia;

(2) 5 percent of the total volume of the extracted resource of ground waters in other territories of the Republic of Armenia.

3. Natural resources utilisation fee subject to payment to the State Budget for extracted resources of sweet groundwater and thermal waters shall be calculated on the basis of the volume of water extracted from the borehole (spring) in the reporting period (the volume of water recorded in the reporting period by flow gauges (water metres) installed by water users as prescribed by the Government of the Republic of Armenia) and the rates prescribed by Article 205 of the Code.

4. Within the meaning of this Article, extracted resources of sweet groundwater and thermal waters shall be the volume of the water flown onto (pumped out to) the surface of the earth from a borehole (spring) in the reporting period.

5. For the period when the payers of natural resources utilisation fee have failed to maintain record-keeping of the actual volumes deemed to be an object of natural resources utilisation fee subject to payment to the State Budget for sweet groundwater and thermal waters, or have maintained record-keeping of it with violations of the prescribed procedure, the natural resources utilisation fees shall be calculated (including by the tax authority) on the basis of water use (sweet groundwater (underground water) and thermal waters extraction) volumes prescribed by water use permissions issued pursuant to the Water Code of the Republic of Armenia and the

rates prescribed by Article 205 of the Code when exploiting the borehole (spring) of sweet groundwater and thermal waters.

**Article 216. Procedure for calculating the natural resources utilisation fees subject to payment to the State Budget for extracted resources of mineral groundwater and salts**

1. Natural resources utilisation fee subject to payment to the State Budget for extracted resources of mineral groundwater (as well as carbon dioxide produced) shall be calculated based on the volumes of extracted water, as well as carbon dioxide produced in the reporting period, taking into account the base limits of natural resources utilisation fee.

2. Natural resources utilisation fee subject to payment to the State Budget for extracted resources of mineral groundwater shall be calculated on the basis of:

(1) the volume of water recorded in the reporting period by flow gauges (water metres) (primary flow gauge) installed by water users as prescribed by the Government of the Republic of Armenia and the relevant rate prescribed by Article 206 of the Code for the given purpose of exploitation, when exploiting the mineral water borehole (spring) for only one purpose;

(2) the volume of water recorded in the reporting period by each flow gauges (water metres) (separated flow gauge) installed by water users as prescribed by the Government of the Republic of Armenia and the relevant rate prescribed by Article 206 of the Code as the sum total of natural resources utilisation fees calculated for separate purposes of exploitation, when exploiting the mineral water borehole (spring) for more than one purpose at a time;

(3) in the case an apparatus (apparatuses) for obtaining carbon dioxide is (are) installed (connected) on the gas pipe coming out of the gas shut-off for the purpose of

obtaining carbon dioxide, the natural resources utilisation fee for the carbon dioxide produced by the water user shall be calculated on the basis of the volume of carbon dioxide recorded in the reporting period by the gas metre installed on the gas pipe coming out of the gas shut-off as prescribed by the Government of the Republic of Armenia and the relevant rate prescribed by Article 206 of the Code for a mineral mine.

3. For the period when the payers of natural resources utilisation fee have failed to maintain record-keeping of actual volumes deemed to be an object of natural resources utilisation fee subject to payment to the State Budget for mineral groundwater and carbon dioxide, or have maintained record-keeping of it with violations of the prescribed procedure, the natural resources utilisation fees shall be calculated (including by the tax authority) on the basis of:

(1) the volume of extracted water (including calculated and recorded by a relevant authorised body) and the rate prescribed by Article 206 of the Code for the given purpose of exploitation, when exploiting the mineral water borehole (spring) for only one purpose;

(2) the volume of water recorded by a primary flow gauge, and in the case of absence thereof — extracted (including calculated and recorded by a relevant authorised body) from a mineral water borehole (spring) and the highest of the natural resources utilisation fee rates prescribed by Article 206 of the Code for the given purpose of actual exploitation of the given mineral water borehole (spring), when exploiting the mineral water borehole (spring) for more than one purpose;

(3) in case no gas metre is installed (connected) on the gas pipe coming out of the gas shut-off for the purpose of obtaining carbon dioxide, the volume of mineral water actually extracted (including calculated and recorded by a relevant authorised body) from the given borehole (spring) and the rate prescribed by Article 206 of the Code for the extraction of mineral water for the purpose of obtaining carbon dioxide.

**Article 217. Procedure for calculating the natural resources utilisation fee subject to payment to the State Budget for extracted resources of salt**

1. Natural resources utilisation fee subject to payment to the State Budget for extracted resources of salt shall be calculated based on the volumes of salt extracted in the reporting period and the rates prescribed by Article 206 of the Code, taking into account the base limits of natural resources utilisation fees.

**Article 218. Procedure for calculating the natural resources utilisation fees subject to payment to the State Budget for depleted resources of solid non-metallic minerals**

1. Natural resources utilisation fee subject to payment to the State Budget for depleted resources of solid non-metallic minerals (except for salt), as well as types of coloured stones only such as onyx marble, obsidian (rainbow obsidian) and listvenite shall be calculated based on the volumes of depleted mineral resources in the reporting period, the actual price (VAT not included) for alienation of minerals in the given period and the rates prescribed by Article 207 of the Code, where the product of actual price (VAT not included) and the rate for alienation of the given mineral exceeds the fixed rate, taking into account the base limits of natural resources utilisation fees.

2. Natural resources utilisation fees subject to payment to the State Budget for depleted resources of solid non-metallic minerals shall be calculated by multiplying the relevant fixed rate prescribed by Article 207 of the Code and the volumes of depleted mineral resources in the reporting period, where:

(1) the product of actual price (VAT not included) and the rate for alienation of the given mineral does not exceed the fixed rate;

(2) no alienation of depleted resources has been carried out in the reporting period. Where a part of the given depleted resources has been alienated in the reporting period, the natural resources utilisation fee for the alienated part of the depleted resources shall be calculated in accordance with part 1 of this Article, taking into account the provisions of this part, and for the part of the depleted resources that has not been alienated the natural resources utilisation fee shall be calculated by fixed rates:

(3) not the mineral, but the product derived as a result of activities other than mining activity corresponding to classifiers of other types of economic activities has been alienated, or where the mineral has been used for intra-economic needs of an extractor;

(4) for the purpose of defining the portions of volumes deemed to be an object of natural resources utilisation fee, during calculation of sanctions prescribed by law for the positive difference of actual volumes of use of natural resources recorded as a result of checks conducted in the prescribed procedure and the volumes reflected in the tax calculation reports during the check period and submitted to tax authorities and authorised bodies by payers.

3. The rates and fixed rates prescribed by Article 207 of the Code shall be applied to the entire volumes of depleted resources of solid non-metallic mineral prescribed by this part. Fixed rates prescribed by Article 207 of the Code shall be applied taking into account the discharge amounts established by the project on performing mining activities having undergone expert examination and been approved, where the rates fixed by the same article are prescribed according to useful discharge amounts of mineral resources. In case of absence of a project on performing mining activities, according to useful discharge amounts of mineral resources, for solid mineral the highest fixed rate shall be applied to the entire volumes of depleted resources prescribed by this Section. In case no discharge of filling materials and ballast raw materials is prescribed by the project of performing mining activities, fixed rates



corresponding to useful discharge amounts of construction stone and/or facing stone prescribed by Article 207 of the Code shall be applied to the volumes of depleted resources corresponding to filling materials and ballast raw materials in accordance with useful discharge amounts established by the project for construction stone and/or facing stones. In Accordance with classifiers of types of economic activities, the highest rate prescribed by Article 207 of the Code shall be applied to the volumes of depleted resources corresponding to the product derived as a result of activities other than mining activity, where the rates fixed by the same article are prescribed according to useful discharge amounts of mineral resources.

4. Natural resources utilisation fee subject to payment to the State Budget for depleted resources of types of coloured stones shall be calculated based on the volumes of depleted resources in the reporting period, rates and the average international market price of the given stone in the reporting period on the basis of the price announced for the reporting period by the authorised body of the Government of the Republic of Armenia in the sector of finance.

**Article 219. Procedure for calculating the natural resources utilisation fee subject to payment to the State Budget for the use of biological resources**

1. Natural resources utilisation fee subject to payment to the State Budget for the use of timber shall be calculated based on the volumes of the resources used in the reporting period. Natural resources utilisation fee subject to payment to the State Budget for other types of biological resources shall be calculated based on the volumes of the used resources and paid to the State Budget each time prior to displacement of biological resources.

2. Natural resources utilisation fee subject to payment to the State Budget for the use of biological resources shall be calculated on the basis of the volumes prescribed by

part 1 of this Article in the reporting period and the rates prescribed by Article 208 of the Code.

3. Prior to using the biological resources prescribed by the law, the natural persons who pay natural resources utilisation fee and are not individual entrepreneurs shall file an application to the relevant environmental body and perform a relevant function in the case that body grants the application. The environmental body shall be responsible for the authenticity of the conditions further referred to in the application and the receipts proving the payment. Supervision over the calculation and payment of the fee at the place of alienation and consumption of natural resources shall be carried out by the tax authorities on selective basis.

4. The Environmental Inspectorate shall, in the procedure prescribed by law, verify whether the fee for using biological resources has been calculated in accordance with this Section.

**Article 220. Submission of tax calculation reports with respect to natural resources utilisation fee**

1. Payers of natural resources utilisation fee shall:

(1) not later than the twentieth day of the month following the reporting quarter, in accordance with Articles 52 and 53 of the Code, draw up and, in the procedure prescribed by the Government of the Republic of Armenia:

a. submit to the Environmental Inspectorate such annex to the unified tax calculation report on the environmental tax and natural resources utilisation fee which has been drawn up for the use of surface and thermal waters, the use of extracted resources of sweet groundwater and biological resources;

b. submit to the Mining State Inspectorate such annex of the unified tax calculation report on the environmental tax and natural resources utilisation fee which has been

drawn up for depleted resources of extracted solid non-metallic minerals, mineral waters and salts;

(2) submit the unified tax calculation reports on the environmental tax and natural resources utilisation fee (together with annexes prescribed by point 1 of this part and approved by authorised bodies) to the tax authority.

2. Payers of natural resources utilisation fee may — in case they independently reveal mistakes in the submitted unified tax calculation reports on environmental tax and natural resources utilisation fee — draw up verified unified tax calculation reports on environmental tax and natural resources utilisation fee as a result of verification thereof, as prescribed by Articles 52-54 of the Code and submit them to the Mining State Inspectorate, Environmental Inspectorate and tax authority as prescribed by the Government of the Republic of Armenia.

3. In accordance with this Article, the submission of tax calculation reports shall not be obligatory for natural persons (except for individual entrepreneurs), who have appropriate contracts for natural resources utilisation with the term of up to one year.

#### **Article 221. Submission of tax calculation reports with respect to royalties**

1. Royalty payers shall, not later than 20 April of the tax year following the reporting year, as prescribed by Articles 52-54 of the Code, draw up tax calculation reports on royalties and submit them to the tax authority.

## **CHAPTER 44**

### ***PROCEDURE FOR PAYING NATURAL RESOURCES UTILISATION FEE AND CREDITING IT TO UNIFIED ACCOUNT***

#### **Article 222.        Paying natural resources utilisation fee**

1. Natural resources utilisation fee calculated as prescribed by Articles 213-219 of the Code, subject to payment to the State Budget shall be paid to the State Budget not later than the twentieth day of the month following the reporting period, except for cases prescribed by this Article.
2. Royalty calculated as prescribed by part 2 of Article 213 of the Code, subject to payment to the State Budget shall be paid to the State Budget not later than 20 April of the tax year following the reporting period.
3. Royalty payers shall make advance royalty payments for each quarter of the current reporting year, not later than the twentieth day of the third month of the given quarter, in the amount of one fourth of the amount of royalty calculated for the previous reporting period. In the given reporting year, prior to the submission of a tax calculation report on the royalty for the previous reporting period, the royalty payers shall make the advance royalty payments for each quarter in the amount not less than the amount of the last advance payment of the previous reporting year. A verification of the amounts of the advance payments made in the given tax year before the submission of the tax calculation report shall be carried out during the first advance payment following directly the submission of the tax calculation report after the submission of the tax calculation report on the royalty of the previous reporting period, in the increasing sum total as from the beginning of the tax year, based on the amount prescribed by this part.
4. A royalty payer who has submitted to the tax authority a statement in the form approved by the tax authority may:

(1) starting from a certain day, make no advance royalty payments for the complete quarters included in the period from the day of terminating the activity (but not earlier than the day of submitting the statement on terminating the activity) referred to in the statement on terminating his or her activity for an uncertain period until the day of resuming the activity (but not earlier than the day of submitting the statement on resuming the activity) referred to in the statement submitted in the form approved by the tax authority;

(2) starting from a certain day, make no advance royalty payments for the complete quarters included in the period from the day of terminating the activity referred to in the statement (but not earlier than the day of submitting the statement on terminating the activity) on terminating his or her activity for a certain period until the day of resuming the activity referred to in the statement.

5. Positive difference of the royalty amount, calculated as prescribed by part 2 of Article 213 of the Code, subject to payment to the State Budget and the total amount of the advance royalty payment paid during the tax year shall be paid to the State Budget not later than 20 April of the tax year following the reporting year.

**Article 223.            Crediting natural resources utilisation fee to unified account, offset and/or refund thereof**

1. The amounts paid in excess of the liability for natural resources utilisation fee prescribed by the Code, with respect to which a requirement for submitting a tax calculation report is prescribed by this Section, including the negative difference of the royalty amount, calculated as prescribed by this Section, subject to payment to the State Budget and the total amount of the advance royalty payment paid during the tax year shall be credited to the unified account in the manner and within the time limits prescribed by the Code with regard to tax administration.

2. The amounts paid in excess of the amount of the liability for natural resources utilisation fee prescribed by the Code with respect to which no requirement for submitting a tax calculation report is prescribed by this Section shall be offset and/or refunded in the procedure prescribed by the Government of the Republic of Armenia.

## **SECTION 11**

### ***TAX OF IMMOVABLE PROPERTY***

## **CHAPTER 45**

### ***IMMOVABLE PROPERTY TAX AND TAXPAYERS***

#### **Article 224.       Immovable property tax**

1. Immovable property tax is a local tax paid to the budgets of communities of the Republic of Armenia as prescribed by this Section for immovable property deemed to be a taxable object belonging to the taxpayers by the right of ownership, which is not linked to the results of the economic activities of taxpayers.

2. Notwithstanding the right of ownership referred to in part 1 of this Article the immovable property tax shall — in the cases and in the procedure prescribed by this Section — be paid also for state-owned land parcels provided for permanent use, as well as for immovable property deemed to be a taxable object referred to in point 8 of part 2 of Article 227 of the Code.

#### **Article 225.       Taxpayers of immovable property tax**

1. Organisations and natural persons, as well as owners of apartments and/or non-residential spaces of multi-apartment buildings — except for state administration

institutions, community administration institutions, the Central Bank of the Republic of Armenia — shall be deemed to be taxpayers of immovable property with respect to land parcel belonging to the given owners by the right of common shared ownership necessary for service and maintenance of multi-apartment building (including those situated under the building).

2. Immovable property tax on a state-owned land provided for permanent use shall be paid by the permanent users of the state-owned land.

3. Where the taxable object belongs to more than one taxpayers by the right of common joint ownership, they shall bear joint liability for the liabilities with regard to immovable property tax prescribed by this Section, except for those land parcels belonging by the right of common joint ownership, which include immovable property units, such as buildings and/or structures, belonging to different taxpayers by the ownership right. They bear equal liabilities for liabilities prescribed by this Section for the immovable property tax with respect to land parcels belonging by the right of common joint ownership, which are burdened with immovable property units belonging to different taxpayers by the ownership right.

4. Where the taxable object belongs to more than one taxpayer by the right of common joint ownership, each taxpayer shall be liable for liabilities prescribed by this Section for the immovable property tax in the amount equal to his or her share.

#### **Article 226.        Authorised bodies**

1. Within the meaning of this Section, the concept “authorised body” prescribed by Article 4 of the Code shall have the following meaning:

(1) a body maintaining an immovable property cadastre — an authorised state administration body of the Government of the Republic of Armenia conducting state registration of rights and restrictions on the immovable property;

(2) record-keeping bodies — self-government bodies prescribed by the Law of the Republic of Armenia “On local self-government”, which:

- a. conduct record-keeping of taxpayers and immovable property tax as prescribed by the Government of the Republic of Armenia;
- b. accept the payments for immovable property tax (including collection of overdue liabilities), control over the payment, as well as tax administration.

## **CHAPTER 46**

### ***IMMOVABLE PROPERTY TAXABLE OBJECT, TAX BASE AND RATES***

#### **Article 227.        Immovable property taxable object**

1. Immovable property taxable object shall be an immovable property such as land parcels and/or ameliorations thereto.

2. Within the meaning of this Section, land parcels shall, according to land-use purpose and functional significance, be prescribed by the legislation of the Republic of Armenia on land, and the following underground and above-ground buildings, structures or constructions (hereinafter referred to as “structures” in this Section) built on the land parcels shall be deemed to be an amelioration to the land:

(1) structures of residential significance, including:

- a. an individual residential house — a construction built on a land parcel, together with its economic structures;
- b. an apartment of a multi-apartment building — a space in a multi-apartment residential building designed for residing by natural persons, registered and numbered under a separate code with the authorised body conducting state registration of rights;



- c. a garden cottage (summer house) — a construction built on a separate land parcel at a gardening zone, with its economic structures;
- (2) a multi-apartment building — a construction having more than one apartments, non-residential spaces and areas for common use;
- (3) a non-residential space of a multi-apartment building — an apartment in a multi-apartment building, a space not deemed to be a structure of public, industrial significance, registered and numbered under a separate code with the authorised body conducting state registration of rights;
- (4) a garage — a construction designed for parking of vehicles;
- (5) a structure of public significance — buildings and structures designed for the provision of social services to the population, for the use for administrative purposes or for location of non-governmental organisations;
- (6) a structure of industrial significance — buildings and structures providing conditions for the establishment of industrial and agricultural productions and exploitation of technological equipment therein;
- (7) relevant unfinished semi-constructed structures referred to in this part, described as prescribed by the Government of the Republic of Armenia;
- (8) an immovable property deemed to be an appropriate taxable object referred to in this part which is, pursuant to the legislation of the Republic of Armenia, newly built and/or has undergone changes and is record-registered and valuated by a body maintaining an immovable property cadastre, and has not yet been granted state registration of rights, as well as buildings and structures built without authorisation on a land parcel by taxpayers having the right of ownership over the given land parcel, including constructions built without authorisation in multi-apartment buildings or adjacent to the buildings.

## **Article 228.       Immovable property tax base**

1. Cadastral values of the land parcel or structures valued as prescribed by Annex 1, which is a constituent part of the Code, shall be deemed to be an immovable property tax base, except for the cases prescribed by part 2 of this Article.
2. The estimated net income calculated in accordance with the cadastral valuation procedure prescribed by Annex 2, which is a constituent part of this Code, shall be deemed to be an immovable property tax base for lands of agricultural significance.
3. Valuation and re-valuation of an immovable property (hereinafter referred to in this Section also as “cadastral valuation”) shall be conducted once in three years by the body maintaining an immovable property cadastre, based on the data recorded as of 1 July of the tax year when the cadastral valuation is done. Valuated or re-valuated cadastral value (estimated net income) shall be taken as grounds for determining the tax base for three tax years following the tax year when valuation or re-valuation is done, except for the cases prescribed by part 4 of this Article.
4. The tax base of immovable property deemed to be a taxable object, which is obtained by ownership right after 1 July of the tax year when cadastral valuation is done in the procedure prescribed by the legislation of the Republic of Armenia, as well as the immovable property newly emerged and/or altered within the period before and including the tax year of the next cadastral valuation of the immovable property as compared to the data of records (including the data received from the authorised body conducting current record-keeping) available at the body maintaining an immovable property cadastre as of 1 July of the tax year of the cadastral valuation, shall be calculated in the cadastral valuation procedure prescribed by Annexes 1 or 2 being constituent parts of this Code, which shall be a basis for determining the tax base for the period comprising from the month following the valuation month until and including the tax year of the next cadastral valuation prescribed by part 3 of this Article.

5. Within the meaning of this Section, the immovable property deemed to be a taxable object (including the one referred to in point 8 of part 2 of Article 227 of the Code) which is newly built or has a land-use purpose or functional significance (land type), degree of completeness, has undergone changes in the number of storeys prior to the end of the tax year of the next cadastral valuation as compared to the data recorded at the body maintaining an immovable property cadastre as of 1 July of the tax year of the cadastral valuation shall be deemed to be newly emerged and/or altered.

6. Bodies conducting record-keeping shall submit the information on the current record-keeping of the immovable property prescribed by part 5 of this Article to the body maintaining an immovable property cadastre as prescribed by Article 235 of the Code.

7. Cadastral values and estimated net incomes prescribed by parts 1 and 2 of this Article shall be deemed to be an immovable property tax base until the law prescribing the procedure for market valuation of the immovable property for the purpose of taxation enters into force, and after the entry into force of that law the market value of the taxable object of an immovable property shall be deemed to be the immovable property tax base.

#### **Article 229.           Immovable property tax rates**

1. Immovable property tax shall be calculated at the following annual rates:

(1) 15 percent for immovable property deemed to be an agricultural land;

(2) for immovable property not deemed to be an agricultural land:

a. at the following rates for the lands used for industry (including mines and areas damaged by production activities), transportation, communication, radio broadcasting,

television, lands being used for defence purposes, occupied by gas pipelines, as well as lands of water resources — :

Inside the residential area	1 percent
Outside the residential area	0.5 percent

b. 0.6 percent for immovable property deemed to be a land of residential development included within the administrative boundaries of rural communities;

c. 1 percent for lands of the forest stock (except for agricultural land types included therein);

d. 1 percent for other lands not deemed to be a land of agricultural use;

(3) for immovable property deemed to be a taxable object prescribed by points 1-3, 7 and 8 of part 2 of Article 227 of the Code (except for cases prescribed by points 4 and 5 of the same part):

Tax base	Tax rate
up to AMD 3 million inclusive	0 percent
over AMD 3 million and up to AMD 10 million inclusive	AMD 100 plus 0.1 percent of the part exceeding AMD 3 million of the tax base
over AMD 10 million and up to AMD 20 million inclusive	AMD 7 100 plus 0.2 percent of the part exceeding AMD 10 million of the tax base
over AMD 20 million and up to AMD 30 million inclusive	AMD 27 100 plus 0.4 percent of the part exceeding AMD 20 million of the tax base
over AMD 30 million and up to AMD 40 million inclusive	AMD 67 100 plus 0.6 percent of the part exceeding AMD 30 million of the tax base

over AMD 40 million	AMD 127 100 plus 1 percent of the part exceeding AMD 40 million of the tax base
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(4) 0.3 percent for immovable property deemed to be public and industrial structure considered a taxable object prescribed by points 5-8 of part 2 of Article 227 of the Code;

(5) 0.2 percent for immovable property deemed to be a garage considered a taxable object prescribed by points 4, 7 and 8 of part 2 of Article 227 of the Code.

2. The community council, upon recommendation of the head of the community, may raise for up to ten percent the rates prescribed by part 1 of this Article for calculation of the tax on immovable property paid to the budget of the given community.

## CHAPTER 47

### *IMMOVABLE PROPERTY TAX BENEFITS*

#### **Article 230.        Immovable property tax benefits**

1. The following shall be exempt from immovable property tax:

(1) state reserves and sanctuaries, national and tree gardens, botanical parks, and lands of historic-cultural significance, except for lands provided for lease or for service use;

(2) state-owned lands of public use in residential areas (in particular squares, streets, passages, roads, parks, public gardens, reservoirs);

(3) educational-production and experimental land parcels adjacent to general education, primary vocational (handicraft) and secondary vocational education institutions;

(4) young vineyards and orchards newly planted on the land type of perennial plantations (grape, stone fruit or kernel fruit) on the lands of agricultural significance until and including the year when each type of plantation reaches full crop-producing power according to agrotechnical instructions, provided that the area is 0.1 hectare or more;

(5) state-owned lands of forest stock, except for lands of agricultural significance provided for lease;

(6) lands used for diplomatic and representation purposes of foreign states and international organisations under the principle of reciprocity, upon the motion of the public administration body authorised in the field of foreign affairs of the Republic of Armenia;

(7) state-owned structures of historic-cultural significance as prescribed by the legislation of the Republic of Armenia deemed to be taxable objects pursuant to the list prescribed by the Government of the Republic of Armenia, as well as structures for religion and worship built before 1991, belonging to religious organisations by ownership right in accordance with the classification prescribed by legislation of the Republic of Armenia;

(8) the following structures belonging to Holy Armenian Apostolic Church (Mother See of Holy Etchmiadzin) by ownership right:

a. churches without the status of a monument, structures used for the production and sale of spiritual-cultural, educational, religious and ritual items, the list of which shall prescribe the Government of the Republic of Armenia;

b. religious, worship structures under the classification provided for by legislation of the Republic of Armenia, belonging to Holy Armenian Apostolic Church (Mother See of Holy Etchmiadzin) by ownership right or the right to permanent gratuitous use, the churches without the status of a monument belonging to the Armenian Apostolic Church (Mother See of Holy Etchmiadzin), structures used for the production and sale

of spiritual-cultural, educational, religious and ritual items, workshops ensuring the internal servicing of Holy Armenian Apostolic Church (Mother See of Holy Etchmiadzin), as well as land parcels necessary for their maintenance and use. The list of structures referred to in this point and land parcels necessary for their service and use, shall be established by the Government of the Republic of Armenia;

(9) in case of voluntary renunciation of a land parcel as prescribed by the legislation of the Republic of Armenia, natural persons who are the owners of the land parcels recognised as a community or state ownership — for the given land plots;

(10) line engineering structures as defined in the legislation of the Republic of Armenia for the use of which no fee is charged. Pursuant to the republic and interstate construction norms effective in the territory of the Republic of Armenia, the following shall be deemed to be line engineering structures: automobile roads, railways, bridges and pipes, automobile and railway tunnels, hydro-technical tunnels, industrial transport (monorail runway, conveyor transport, pipe and container), ropeways, elevators, urban electrical transport routes, gas, oil, water, heat supply networks, sewage collectors, ameliorative networks, trunk pipelines;

(11) reservoirs;

(12) immovable property deemed to be a taxable object, which belongs by the ownership right to the persons fallen during the defense armed hostilities of the Republic of Armenia or declared as missing or missing in absentia or dead while performing their official duties (or family members thereof) until one of the children of these persons attains the age of 18, and where the person has not been married or has/had no children — until termination of the ownership right of the family member over the taxable object;

(13) national operator of postal communication;

(14) structures of public and industrial significance belonging to operators of free economic zone or used by them, which are located in the territory of a free economic zone;

(15) persons who do compulsory military service in the Armed Forces of the ally countries according to the international treaties of the Republic of Armenia, as well as the Armed Forces of the Republic of Armenia or other troops while on service:

a. with regard to structures not deemed to be structures of public and/or industrial significance, belonging to them by the ownership right;

b. in the case of immovable property taxable object with regard to their share of the taxable object referred to in sub-point “a” of this point, belonging to them by the right of common shared ownership;

c. with regard to immovable property taxable object referred to in sub-point “a” of this point, belonging to them by the right of common joint ownership, where the other co-owners are minors or persons without capacity to work.

The benefit prescribed by this point shall not apply where the immovable property deemed to be a taxable object has been provided for lease or transferred for trust management during the service;

(16) after the completion of the term of the compulsory military service, pursuant to sub-points “a”, “b” or “c” of point 15 of this part, the persons referred to in this point, who have been transferred to military service in the Armed Forces of the Republic of Armenia and other troops and have graduated from military-educational institutions shall also be exempt from the immovable property tax, for the part not exceeding AMD 40 million per one immovable property.

In the case more than one immovable property belongs by ownership right to the taxpayer referred to in this point, the benefit shall be applied with regard to immovable property referred to in the application of the taxpayer, and the statement



of information on the number and location of the immovable property belonging to the taxpayer by ownership right issued by the body maintaining an immovable property cadastre, as well as the statement (statements) of information on non-application of the benefit with respect to other immovable property issued by the record-keeping body (bodies) of the place (places) of the immovable property shall be deemed to be grounds for the application of the benefit.

The benefits prescribed by this point shall not be applied, where the immovable property deemed to be a taxable object has been provided for lease or transferred for trust management, as well as in the case when the immovable property deemed to be a taxable object has been acquired after the completion of the service term.

2. Agricultural and forestry research organisations, testing, experimental, seed-growing, planting, pedigree livestock-breeding and sort-testing organisations, stations and other establishments of scientific and research organisations and educational institutions, pursuant to the list confirmed by the Government of the Republic of Armenia, shall be exempt from immovable property tax in the amount of 50 percent regarding those lands being used exclusively for scientific and educational, as well as for agricultural, forestry, and crops sort-testing purposes,.

3. The community council may, upon suggestion of the community head and in the procedure prescribed by the community council, prescribe benefits in respect of the immovable property tax and render decisions on making a payment from the community budget for the taxpayer of the immovable property tax. Pursuant to this part, the amount of the benefit prescribed by the community council may not exceed ten percent of the approved revenues of the community budget in terms of the immovable property tax for the given tax year. No additional subsidies shall be provided from the State Budget of the Republic of Armenia to the community budget for the amounts of the benefits prescribed by the community council for immovable property tax.

4. The immovable property taxpayer enjoying immovable property tax benefit during the tax year shall be exempt from the immovable property tax starting from the 1<sup>st</sup> day of the month, when the right to the benefit has arisen.
5. In the case the benefit of immovable property tax is terminated during the tax year, the immovable property tax shall be calculated from the 1<sup>st</sup> day of the month following the month when the benefit has been terminated.
6. The document attesting the right of enjoying the immovable property tax benefits and the procedure for the submission thereof shall be prescribed by the Government of the Republic of Armenia.

## **CHAPTER 48**

### ***CALCULATION OF IMMOVABLE PROPERTY TAX***

#### **Article 231. Procedure for emergence and termination of liability of immovable property tax**

1. Liability for immovable property tax shall emerge from the 1<sup>st</sup> day of month following the month when right of ownership or permanent use over the immovable property taxable object or a part thereof has received state registration. The documents substantiating the right of ownership or permanent use over the immovable property taxable object or a part thereof shall be deemed to be grounds for calculation (emergence of tax liabilities) of the immovable property tax.
2. Calculation of immovable property tax shall be terminated starting from the first day of the month following the month when the ownership right over the immovable property taxable object or a part thereof or permanent use over the immovable property has been terminated.
3. Notwithstanding the provisions of parts 1 and 2 of this Article:

(1) immovable property tax liability for the taxable object having not received state registration under the right of ownership prescribed by point 8 of part 2 of Article 227 of the Code shall emerge from the 1<sup>st</sup> day of month following the month of providing by a body maintaining an immovable property cadastre information on the record-keeping and valuation of the immovable property to bodies conducting record-keeping. In case of failure to be registered under the right of ownership, calculation of an immovable property tax for the referred taxable object shall be terminated from the 1<sup>st</sup> day of month following the month of removing the given objects from record-keeping in the body maintaining an immovable property cadastre as prescribed by the legislation of the Republic of Armenia;

(2) in case a natural person deemed to be the owner of a taxable object is dead or declared dead upon a court judgement, tax liabilities for the taxable object not discharged by the natural person, who is dead or declared dead upon a court judgement, as well as the tax liabilities calculated for the immovable property tax of the given taxable object from the day of his or her death until the month (inclusive) when the right of ownership (inheritance) has been state registered as prescribed by the legislation of the Republic of Armenia, shall be transferred to the new owner. In cases prescribed by this point, an immovable property tax liabilities shall emerge from the 1<sup>st</sup> day of the month following the month the right of ownership (inheritance) was formulated;

(3) where the right of ownership over the taxable object is granted a state registration based on a criminal judgement, civil judgement or a legal act, the liabilities for immovable property taxable object calculated from the 1<sup>st</sup> day of the month following the month the criminal judgement, the civil judgement or the legal act has been adopted until the month (inclusive) when the right of ownership has been state registered, shall be transferred to the new owner. In the cases prescribed by this point, the immovable property tax liabilities shall emerge from the 1<sup>st</sup> day of the month

following the month when the criminal judgement, the civil judgement or the legal act has entered into force;

(4) where the right of ownership of a natural person over a taxable object arises or the tax liability for the payment of the immovable property tax emerges in the cases prescribed by points 1-3 of this part during the month preceding the period prescribed by part 1 of Article 236 of the Code, the tax liability of the given tax year for the given taxable object shall be added up to the tax liability of the following tax year.

4. Existence of a lien on an immovable property as prescribed by law deemed to be a taxable object shall not be grounds for not calculating the immovable property tax.

#### **Article 232. Reporting period**

1. Every reporting year shall be a reporting period for immovable property tax calculation and payment.

#### **Article 233. Procedure for calculating the amount of immovable property tax subject to payment to the local budget**

1. The immovable property tax shall be calculated as the sum total of amounts calculated at the relevant rates prescribed by Article 229 of the Code against the cadastral value (estimated net income) of the land parcel and the cadastral value(s) of structure(s) considered as developments thereof, by taking into account the benefits prescribed by Article 230 of the Code and the provisions of Article 234 of the Code.

2. In cases the immovable property tax liability emerges or when calculation of the immovable property tax is terminated as prescribed by Article 231 of the Code, the annual amounts of the immovable property tax calculated in accordance with part 1 of this Article shall be adjusted in proportion to the months of the emergence of the

immovable property tax liabilities or termination of the immovable property tax calculation.

3. Bodies conducting record-keeping shall, taking into account the information received from the body maintaining an immovable property cadastre as prescribed by Article 235 of the Code, calculate the amounts of immovable property tax paid by immovable property taxpayers as prescribed by this Section and shall, by 1 November of the current tax year, post the information on calculated immovable property tax amounts on a visible place on the administrative building of the community and/or post it on their electronic websites. Bodies conducting record-keeping may, during the period referred to in this part, submit notifications on immovable property tax payment to the immovable property taxpayers (including by sending by post or handing over in person).

4. Failure to post information or to send a notification within the period prescribed by part 3 of this Article shall not exempt the immovable property taxpayer from the obligation of discharging tax liabilities in full.

5. Immovable property taxpayers may apply to bodies conducting record-keeping for receiving a statement of information or information on their liabilities in respect of immovable property tax. The bodies conducting record-keeping shall issue the mentioned statements of information or provide information within three working days after receiving the mentioned applications.

6. If immovable property taxpayers do not agree with the calculation of the immovable property tax, they may apply to relevant bodies conducting record-keeping for the purpose of adjustment of the calculation of the tax on immovable property deemed to be a taxable object, and may apply to the body maintaining an immovable property cadastre for receiving necessary information and data for the adjustment of the tax base. Bodies conducting record-keeping or authorised bodies shall provide the mentioned information within three working days after receiving the applications.

**Article 234. Procedure for calculating the amount of immovable property tax under common ownership**

1. The immovable property tax for the immovable property taxable object deemed to be a common ownership shall be calculated by the bodies conducting record-keeping on the entire tax base of the immovable property.

2. Bodies conducting record-keeping, based on the information received from the body maintaining an immovable property cadastre as prescribed by Article 235 of the Code, shall calculate the immovable property tax of taxpayers who are co-owners of an immovable property:

(1) in the case of common joint ownership — the entire tax liability calculated as prescribed by Article 233 of the Code for the entire tax base of the immovable property taxable object for either of the co-owners;

(2) in the case of common shared ownership — the tax liability calculated as prescribed by Article 233 of the Code for the entire tax base of the immovable property taxable object for each of the co-owners in the amount equivalent his or her share.

**Article 235. Provision of information**

1. Pursuant to the procedure prescribed by the Government of the Republic of Armenia:

(1) the body maintaining an immovable property cadastre shall, prior to and including 1 September of the tax year of valuation (re-valuation), submit to bodies conducting record-keeping the summary information on the immovable property deemed to be an immovable property taxable object record-registered and valued (re-valued) as of 1 July of the tax year of valuation or re-valuation and information on the valuations (re-valuations) thereof;

- (2) the body maintaining an immovable property cadastre shall, prior to and including the 15<sup>th</sup> day of each month, submit to bodies conducting record-keeping the information on amendments made to the data on the owners of immovable property, as well as on record-registration and valuation of immovable property during the previous month;
- (3) while performing their functions tax authorities may receive information on the calculated amounts of immovable property tax from relevant bodies conducting record-keeping;
- (4) bodies conducting record-keeping shall, prior to and including the 15<sup>th</sup> day of each month, submit to the body maintaining an immovable property cadastre the necessary information on the current record-keeping of the immovable property deemed to be a taxable object newly established and/or altered during the previous month as compared to the data registered as of 1 July of the previous valuation year as prescribed by part 3 of Article 228 of the Code.
2. Immovable property taxpayers may receive necessary information on the immovable property from authorised bodies prescribed by Article 226 of the Code.

## **CHAPTER 49**

### ***PROCEDURE FOR PAYMENT, OFFSET AND REFUND OF IMMOVABLE PROPERTY TAX***

#### **Article 236. Payment of immovable property tax**

1. Organisations and natural persons shall pay the annual amounts of the immovable property tax (including the amounts of immovable property tax liability calculated in the cases and the procedure prescribed by part 3 of Article 231 of the Code) to the community budget of the place of location of the immovable property prior to and including 1 December of the tax year, taking into account the peculiarities prescribed by this Article.

2. In the case of alienation of the immovable property, before the state registration of the ownership right arising due to alienation contract, the natural persons paying immovable property tax shall fully discharge the immovable property tax liabilities in respect of the given immovable property deemed to be an immovable property taxable object for the period including the month and the day of the state registration of the transfer of the right of ownership.

3. In the case of alienation of the immovable property, before the state registration of the ownership right arising due to alienation contract, the organisations paying immovable property tax shall fully discharge the immovable property tax liabilities in respect of all the immovable property taxable objects located in the given community for the period including the month and the day of the state registration of the transfer of the right of ownership.

4. The body maintaining an immovable property cadastre shall perform the state registration of the ownership rights over the immovable property on the basis of the statement of information issued by bodies conducting record-keeping on having no tax liabilities in respect of the immovable property which shall also have indication of the period of the tax year of issuing the statement of information for which the payments of immovable property tax (for organisations — immovable property tax in respect of all the objects recorded at the given body conducting record-keeping) in respect of the given immovable property have been made.

**Article 237.           Offsetting immovable property tax amount against other tax liabilities and/or refund thereof**

1. The offset of immovable property tax paid in excess of the amounts prescribed by the Code and/or refund thereof shall be made as prescribed by the Government of the Republic of Armenia.



## **Article 238. Cadastral valuation of immovable property**

1. Based on the data available (including data on the current record-keeping of land parcels and structures provided by the heads of communities) as of 1 July of the given tax year, the body maintaining an immovable property cadastre, in accordance with Annexes 1 and 2 which are constituent part of the Code, shall:

- (1) conduct the first cadastral valuation in 2019, based on which the obtained data shall be grounds for determining the tax base for upcoming three tax years;
- (2) conduct further cadastral valuations periodically as referred to in part 3 of Article 228 of the Code.

2. Notwithstanding the time limits prescribed by part 1 of this Article, cadastral valuation of the immovable property acquired by the ownership right (except those passed to natural persons through legal succession) after the Code enters into force and as prescribed by the legislation of the Republic of Armenia, as well as cadastral valuation of the immovable property newly emerged and/or altered after the Code has entered into force and deemed to be a taxable object — as compared to the data registered as of 1 July of the tax year of the previous (last) valuation before the Code entered into force — shall be carried out in the cadastral valuation procedure prescribed by Annexes 1 and 2 being constituent parts of this Code and the information shall be submitted to the body conducting record-keeping in the procedure and within the time limits prescribed by point 2 of part 1 of Article 235 of the Code.

3. During 2018 and 2019, data of cadastral valuation of land parcels and structures in 2016 and, in the case of valuation (re-valuation) of the immovable property before the Code entered into force in the procedure in effect before the Code entered into force, the data of the last valuation shall be considered as grounds for the calculation of the immovable property tax, taking into account the provisions of part 2 of this Article. For the purpose of calculating the immovable property tax for 2018 and 2019,

the body maintaining an immovable property cadastre shall, according to the immovable property owners, prior to 1 October 2017, submit the information on immovable property (according to land parcels and/or relevant developments thereof) deemed to be an immovable property taxable object prescribed by Article 227 of the Code and information on the cadastral values and estimated net incomes thereof as prescribed by Article 235 of the Code, to the bodies conducting record-keeping of taxpayers.

**PROCEDURE FOR CADASTRAL VALUATION OF IMMOVABLE PROPERTY**

**PROCEDURES FOR CALCULATING CADASTRAL VALUES OF BUILDINGS,  
STRUCTURES**

**1. PROCEDURE FOR CALCULATING CADASTRAL VALUE OF APARTMENTS OF  
MULTI-APARTMENT BUILDINGS**

1.1. Cadastral value of apartments of multi-apartment buildings shall be calculated by the following formula:

$$V = V_m \times S \times C_z \times C_{cov} \times C_h \times C_s \times C_{dam} \times C_{dep} \times C_{com}$$

where:

$V_m$  is the value for one square metre of an apartment according to Table 1;

$S$  is the total surface area (internal dimensions) of an apartment — in square metres;

$C_z$  is the coefficient of location (area appraisal zoning) of an apartment;

$C_{cov}$  is the coefficient for the type of covering of an apartment;

$C_h$  is the coefficient for the height (internal dimensions) of an apartment;

$C_s$  is the coefficient for the number of storeys of an apartment;

$C_{dam}$  is the coefficient describing the degree of damage of an apartment;

$C_{dep}$  is the coefficient describing the depreciation (exploitation period) of a structure;

$C_{com}$  is the coefficient describing the degree of completeness of a structure.

1.2. For the purpose of calculating the cadastral value of the apartments of multi-apartment buildings:

a. value for one square metre ( $V_m$ ) of an apartment shall be set for:

Table 1

metal and concrete structure	AMD 230 000
stone structure	AMD 255 000

b. the coefficients of location (area appraisal zoning) of an apartment ( $C_z$ ) shall be established by the Government of the Republic of Armenia within the framework of the following measures:

Marz (City of Yerevan)	Minimum	Maximum
City of Yerevan	0.17	1
Kotayk	0.055	0.26
Armavir and Ararat	0.044	0.32
Aragatsotn	0.035	0.32
Shirak	0.035	0.21
Lori	0.035	0.26
Tavush	0.035	0.17
Syunik, Vayots Dzor and Gegharkunik	0.035	0.13

c. the coefficient for the type of covering of an apartment ( $C_{cov}$ ) shall be set for:

metal and concrete covering	1
wood covering	0.9

d. the coefficient for the height (internal dimensions) of an apartment ( $C_h$ ) shall be set for:

storeys having up to 2.7 metre height	0.9
storeys having from 2.7 to 3.0 metre height	1
storeys having 3.0 metre and more height	1.1

e. the coefficient for the number of storeys of an apartment ( $C_s$ ) shall be set for:

the first floor	0.95
the second to the fifth floors	1
the sixth to the ninth floors	0.9
the tenth and higher floors	0.8
the last floor — extra	0.95
basement	0.5
semi-basement	0.65
attic (usable roof floor)	0.7

f. the coefficient describing the damage degree of a structure ( $C_{dam}$ ) shall be set for:

structure with damage degree 0	1
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structure with damage degree 1 and 2	0.95
structure with damage degree 3	0.5
structure with damage degree 4	0

g. the coefficient describing the depreciation (exploitation period) of a structure (Cdep) shall be set for:

structure having up to 6 years (inclusive) of operation duration	1
structure having from 7 to 9 years (inclusive) of operation duration	0.94
structure having from 10 to 12 years (inclusive) of operation duration	0.91
structure having from 13 to 15 years (inclusive) of operation duration	0.88
structure having from 16 to 18 years (inclusive) of operation duration	0.85
structure having from 19 to 21 years (inclusive) of operation duration	0.82
structure having from 22 to 24 years (inclusive) of operation duration	0.79
structure having from 25 to 27 years (inclusive) of operation duration	0.76
structure having from 28 to 30 years (inclusive) of operation duration	0.73
structure having from 31 to 40 years (inclusive) of operation duration	0.7
structure having 41 and more years of operation duration	0.6

h. the coefficient describing the degree of completeness of a structure (Ccom) shall be set for:

structure having up to 50 percent (inclusive) of completeness degree	0.5
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structure having from 51 to 80 percent (inclusive) of completeness degree	0.7
structure having 81 and more percent of completeness degree	1

## 2. PROCEDURE FOR CALCULATING CADASTRAL VALUE OF INDIVIDUAL RESIDENTIAL HOUSES, GARDEN COTTAGES AND AUXILIARY STRUCTURES ADJACENT THERETO, AS WELL AS GARAGES

2.1. Cadastral value of individual residential houses, garden cottages and auxiliary structures adjacent thereto shall be calculated by the following formula:

$$V = [(V1 + V2 + \dots + Vn) + (Vab \times Sab \times Cdep) + (Venc \times VOLenc \times Cdep)] \times Cz$$

where:

V1, V2, .... Vn — are the cadastral values of the first, second and the next storeys (including basement, semi-basement, attic) which are calculated by the following formula:

$$Vn = VLs \times Vs \times Cs \times Ccov \times Cdep \times Cr \times Cp \times Ced \times Cdep \times Ccom$$

where:

VLs is the value for one cubic metre of the volume (internal dimensions) of individual residential houses, garden cottages and auxiliary structures adjacent thereto (except for enclosures and air bath balconies) according to Table 2;

Vs is the volume (internal dimensions) of individual residential houses, garden cottages and auxiliary structures adjacent thereto (except for enclosures and air bath balconies), in cubic metres;

Vab is the value for one square metre of the surface area (internal dimensions) of air bath balconies of individual residential houses, garden cottages and auxiliary structures adjacent thereto;

Sab is the surface area (internal dimensions) of air bath balconies of individual residential houses, garden cottages and auxiliary structures adjacent thereto, in square metres;

Venc is the value for one cubic metre of the volume of enclosures of individual residential houses, garden cottages and auxiliary structures adjacent thereto;

VOLenc is the volume of enclosures of individual residential houses, garden cottages and auxiliary structures adjacent thereto, in cubic metres;

Cz is the coefficient of location (area appraisal zoning) of a structure;

Cs is the coefficient for the number of storeys of a structure;

Ccov is the coefficient for the type of covering of a structure;

Cdep is the coefficient describing the depreciation (exploitation period) of a structure;

Cr is the coefficient for the material of the roof of a structure;

Cp is the coefficient for the intended purpose of use of a structure;

Ced is the coefficient for the exterior design of a structure;

Cdam is the coefficient describing the damage degree of a structure;

Ccom is the coefficient describing the degree of completeness of a structure.

2.2. For the purpose of calculating the cadastral value of individual residential houses, garden cottages and auxiliary structures adjacent thereto:

a. the value for one cubic metre of the volume (internal dimensions) of the structure (VLs) (except for enclosures and air bath balconies) shall be set for:

Table 2

basalt structure	AMD 95 000
tufa structure	AMD 85 000



metal and concrete structure	AMD 65 000
brick or small hollow block structure	AMD 45 000
wood structure	AMD 50 000
rubble stone, roughly hewn stone (other type of stone) structure	AMD 40 000

b. the value for one square metre of the surface area (internal dimensions) of air bath balconies ( $V_{ab}$ ) of individual residential houses and garden cottages shall be set in the amount of AMD 5 000;

c. the value for one cubic metre of the volume of enclosures ( $V_{enc}$ ) of individual residential houses, garden cottages and auxiliary structures adjacent thereto shall be set for:

basalt fencing	AMD 20 000
tufa fencing	AMD 18 000
metal and concrete fencing	AMD 15 000

d. the coefficient of location (area appraisal zoning) of a structure ( $C_z$ ) shall be established by the Government of the Republic of Armenia within the framework of the following measures:

Marz (City of Yerevan)	minimum	maximum
City of Yerevan	0.17	1
Kotayk	0.055	0.26
Armavir and Ararat	0.044	0.32

Aragatsotn	0.035	0.32
Shirak	0.035	0.21
Lori	0.035	0.26
Tavush	0.035	0.17
Syunik, Vayots Dzor and Gegharkunik	0.035	0.13

e. the coefficient for the number of storeys of a structure ( $C_s$ ) shall be set for:

first and next floors	1
semi-basement	0.65
basement	0.5
attic (usable roof floor)	0.7

f. the coefficient for the type of covering of a structure ( $C_{cov}$ ) shall be set for:

metal and concrete covering	1
wood covering	0.9

g. the coefficient describing the depreciation (exploitation period) of a structure ( $C_{dep}$ ) shall be set for:

structure having up to 6 years (inclusive) of operation duration	1
structure having from 7 to 9 years (inclusive) of operation duration	0.94
structure having from 10 to 12 years (inclusive) of operation duration	0.91

structure having from 13 to 15 years (inclusive) of operation duration	0.88
structure having from 16 to 18 years (inclusive) of operation duration	0.85
structure having from 19 to 21 years (inclusive) of operation duration	0.82
structure having from 22 to 24 years (inclusive) of operation duration	0.79
structure having from 25 to 27 years (inclusive) of operation duration	0.76
structure having from 28 to 30 years (inclusive) of operation duration	0.73
structure having from 31 to 40 years (inclusive) of operation duration	0.7
structure having 41 and more years of operation duration	0.6

h. the coefficient for the material of the roof of a structure ( $C_r$ ) shall be set for:

tile roof	1.05
tin roof	1
shale (slate) roof	0.9
roof made of other material	0.85

i. the coefficient for the intended purpose of use of a structure ( $C_p$ ) shall be set for:

individual residential house and garden cottage	1
auxiliary structure adjacent to individual residential house and garden cottage	0.5

j. the coefficient for the exterior design of a structure ( $C_{ed}$ ) shall be set for:

structure having no exterior design	1
each polished facade of a structure having an exterior design	1.05
each coated facade of a structure having an exterior design	1.025
each plastered facade of a structure having an exterior design	1.01

k. the coefficient describing the damage degree of a structure ( $C_{dam}$ ) shall be set for:

structure with damage degree 0	1
structure with damage degree 1 and 2	0.95
structure with damage degree 3	0.5
structure with damage degree 4	0

l. the coefficient describing the degree of completeness of a structure ( $C_{com}$ ) shall be set for:

structure having up to 50 percent (inclusive) of completeness degree	0.5
structure having from 51 to 80 percent (inclusive) of completeness degree	0.7
structure having 81 and more percent of completeness degree	1

2.3. Cadastral value of garages shall be calculated in the procedure stipulated for calculating cadastral values of auxiliary structures adjacent to individual residential houses.

### 3. PROCEDURE FOR CALCULATING CADASTRAL VALUE OF SEPARATELY LOCATED STRUCTURES OF PUBLIC SIGNIFICANCE

3.1. Cadastral value of separately located structures of public significance shall be calculated by the following formula:

$$V = [(V1 + V2 + .... + Vn) \times C_{sv} + (V_{enc} \times V_{OLenc} \times C_{dep})] \times C_z$$

where:

V1, V2, .... Vn — are the cadastral values of the first, second and the next storeys (including basement, semi-basement, technical floor and attic) which are calculated by the following formula:

$$V_n = V_{Ls} \times V_s \times C_s \times C_{dep} \times C_{dam} \times C_r \times C_{cov} \times C_{com} \times C_{ed} \times C_p$$

where:

V<sub>Ls</sub> is the value for one cubic metre of the volume (internal dimensions) of the structure according to Table 3;

V<sub>s</sub> is the volume (internal dimensions) of the structure, in cubic metres;

V<sub>enc</sub> is the value for one cubic metre of the volume of enclosures adjacent to the structure;

V<sub>OLenc</sub> is the volume of enclosures adjacent to the structure, in cubic metres;

C<sub>z</sub> is the coefficient of location (area appraisal zoning) of a structure;

C<sub>s</sub> is the coefficient for the number of storeys of a structure;

C<sub>dep</sub> is the coefficient describing the depreciation (exploitation period) of a structure;

C<sub>dam</sub> is the coefficient describing the damage degree of a structure;

C<sub>r</sub> is the coefficient for the material of the roof of a structure;

C<sub>cov</sub> is the coefficient for the type of covering of a structure;

C<sub>com</sub> is the coefficient describing the degree of completeness of a structure;

Ced is the coefficient for the exterior design of a structure;

Cp is the coefficient for the intended purpose of use of a structure;

Csv is the auxiliary coefficient for the volume (internal dimensions) of a structure.

3.2. For the purpose of calculating cadastral value of separately located structures of public significance:

a. the value for one cubic metre of the volume (internal dimensions) of the structure (VLs) (except for enclosure) shall be set for:

Table 3

basalt structure	AMD 147 000
tufa structure	AMD 127 000
metal and concrete structure	AMD 100 000
wood structure	AMD 84 000
rubble stone, roughly hewn stone structure (irrespective of the type of stone)	AMD 67 000
brick or small hollow block structure	AMD 71 000
metal structure	AMD 100 000

b. the value for one cubic metre of the volume of the enclosure (Venc) of the structure shall be set for:

basalt fencing	AMD 25 000
tufa fencing	AMD 22 000
metal and concrete fencing	AMD 18 000

c. the coefficient of location (area appraisal zoning) of a structure ( $C_z$ ) shall be established by the Government of the Republic of Armenia within the framework of the following measures:

Marz (City of Yerevan)	minimum	maximum
City of Yerevan	0.17	1
Kotayk	0.055	0.26
Armavir and Ararat	0.044	0.32
Aragatsotn	0.035	0.32
Shirak	0.035	0.21
Lori	0.035	0.26
Tavush	0.035	0.17
Syunik, Vayots Dzor and Gegharkunik	0.035	0.13

d. the coefficient for the number of storeys of a structure ( $C_s$ ) shall be set for:

the first floor	1
the second and next floors	0.9
semi-basement	0.65
basement	0.5
attic and technical floors	0.7

e. the coefficient describing the depreciation (exploitation period) of a structure ( $C_{dep}$ ) shall be set for:

structure having up to 6 years (inclusive) of operation duration	1
structure having from 7 to 9 years (inclusive) of operation duration	0.94
structure having from 10 to 12 years (inclusive) of operation duration	0.91
structure having from 13 to 15 years (inclusive) of operation duration	0.88
structure having from 16 to 18 years (inclusive) of operation duration	0.85
structure having from 19 to 21 years (inclusive) of operation duration	0.82
structure having from 22 to 24 years (inclusive) of operation duration	0.79
structure having from 25 to 27 years (inclusive) of operation duration	0.76
structure having from 28 to 30 years (inclusive) of operation duration	0.73
structure having from 31 to 40 years (inclusive) of operation duration	0.7
structure having 41 and more years of operation duration	0.6



f. the coefficient describing the damage degree of a structure ( $C_{dam}$ ) shall be set for:

structure with damage degree 0	1
structure with damage degree 1 and 2	0.95
structure with damage degree 3	0.5
structure with damage degree 4	0

g. the coefficient for the material of the roof of a structure ( $C_r$ ) shall be set for:

tile roof	1.05
tin roof	1
shale (slate) roof	0.9
roof made of other material	0.85

h. the coefficient for the type of covering of a structure ( $C_{cov}$ ) shall be set for:

metal and concrete covering	1
wood covering	0.9

i. the coefficient describing the degree of completeness of a structure ( $C_{com}$ ) shall be set for:

structure having up to 50 percent (inclusive) of completeness degree	0.5
structure having from 51 to 80 percent (inclusive) of completeness degree	0.7
structure having 81 and more percent of completeness degree	1

j. the coefficient for the exterior design of a structure (Ced) shall be set for:

structure having no exterior design	1
each polished facade of a structure having an exterior design	1.05
each coated facade of a structure having an exterior design	1.025
each glass facade of a structure having an exterior design	1.05
each plastered facade of a structure having an exterior design	1.01

The facade of a structure shall be deemed to be a glass facade, where more than 50 percent of the total surface of the facade is made of glass.

k. the coefficient for the intended purpose of use of a structure (Cp) shall be set for:

structures of scientific, education and training significance	0.7
other structures of public significance	1

The Government of the Republic of Armenia shall establish the list of structures used for scientific, education and training purpose.

l. the auxiliary coefficient for the volume (internal dimensions) of a structure (Csv) shall be set as follows in the case of:

volume of up to 3 000 cu m (inclusive)	1
volume from 3 001 to 6 000 cu m (inclusive)	0.95
volume from 6 001 to 9 000 cu m (inclusive)	0.9
volume from 9 001 to 12 000 cu m (inclusive)	0.85
volume of 12 001 cu m and more	0.8

The auxiliary coefficient for the volume (internal dimensions) ( $C_{sv}$ ) shall be applied to the accumulative value of volumes (internal dimensions) existing in all storeys.

#### **4. PROCEDURE FOR CALCULATING CADASTRAL VALUE OF SEPARATELY LOCATED STRUCTURES OF INDUSTRIAL SIGNIFICANCE**

4.1. Cadastral value of separately located structures of industrial significance shall be calculated by the following formula:

$$V = [(V_1 + V_Ls + .... + V_n) \times C_{sv} + (V_{enc} \times V_{OLenc} \times C_{dep})] \times C_z$$

where:

$V_1, V_2, .... V_n$  — are the cadastral values of structures of industrial significance (having industrial, administrative, warehouse and other industrial and non-industrial significance) which are calculated by the following formula:

$$V_n = V_Ls \times V_s \times C_{dep} \times C_{dam} \times C_r \times C_{cov} \times C_s \times C_{com} \times C_p$$

where:

$V_Ls$  is the value for one cubic metre of the volume (internal dimensions) of the structure of industrial significance according to Table 4;

$V_s$  is the volume (internal dimensions) of the structure of industrial significance, in cubic metres;

$V_{enc}$  is the value for one cubic metre of the volume of enclosures adjacent to the structure of industrial significance;

$V_{OLenc}$  is the volume of enclosures adjacent to the structure of industrial significance, in cubic metres;

$C_z$  is the coefficient of location (area appraisal zoning) of a structure;

$C_{dep}$  is the coefficient describing the depreciation (exploitation period) of a structure;

Cdam is the coefficient describing the damage degree of a structure;

Cr is the coefficient for the material of the roof of a structure;

Ccov is the coefficient for the type of covering of a structure;

Cs is the coefficient for the number of storeys of a structure;

Ccom is the coefficient describing the degree of completeness of a structure;

Cp is the coefficient for the intended purpose of use of a structure;

Csv is the auxiliary coefficient for the volume (internal dimensions) of a structure.

4.2. For the purpose of calculating cadastral value of separately located structures of industrial significance:

a. the value for one cubic metre of the volume (internal dimensions) of the structure (VLs) (except for enclosure) shall be set for:

Table 4

stone, metal and concrete structure	AMD 22 000
wood structure	AMD 15 000
metal structure	AMD 19 000

b. the value for one cubic metre of the volume of the enclosure (Venc) of the structure shall be set for:

basalt fencing	AMD 10 000
tufa fencing	AMD 9 000
metal and concrete fencing	AMD 7 500

c. the coefficient of location (area appraisal zoning) of a structure (Cz) shall be established by the Government of the Republic of Armenia within the framework of the following measures:

Marz (City of Yerevan)	minimum	maximum
City of Yerevan	0.17	1
Kotayk	0.055	0.26
Armavir and Ararat	0.044	0.32
Aragatsotn	0.035	0.32
Shirak	0.035	0.21
Lori	0.035	0.26
Tavush	0.035	0.17
Syunik, Vayots Dzor and Gegharkunik	0.035	0.13

d. the coefficient describing the depreciation (exploitation period) of a structure (Cdep) shall be set for:

structure having up to 6 years (inclusive) of operation duration	1
structure having from 7 to 9 years (inclusive) of operation duration	0.94
structure having from 10 to 12 years (inclusive) of operation duration	0.91
structure having from 13 to 15 years (inclusive) of operation duration	0.88

structure having from 16 to 18 years (inclusive) of operation duration	0.85
structure having from 19 to 21 years (inclusive) of operation duration	0.82
structure having from 22 to 24 years (inclusive) of operation duration	0.79
structure having from 25 to 27 years (inclusive) of operation duration	0.76
structure having from 28 to 30 years (inclusive) of operation duration	0.73
structure having from 31 to 40 years (inclusive) of operation duration	0.7
structure having 41 and more years of operation duration	0.6

e. the coefficient describing the damage degree of a structure ( $C_{dam}$ ) shall be set for:

structure with damage degree 0	1
structure with damage degree 1 and 2	0.95
structure with damage degree 3	0.5
structure with damage degree 4	0

f. the coefficient for the material of the roof of a structure ( $C_r$ ) shall be set for:

tile roof	1.05
tin roof	1

shale (slate) roof	0.9
roof made of other material	0.85

g. the coefficient for the type of covering of a structure ( $C_{cov}$ ) shall be set for:

metal and concrete covering	1
wood covering	0.9

h. the coefficient for the number of storeys of a structure ( $C_s$ ) shall be set for:

the first floor	1
the second and next floors	0.9
semi-basement	0.65
basement	0.5
attic and technical floors	0.7

i. the coefficient describing the degree of completeness of a structure ( $C_{com}$ ) shall be set for:

structure having up to 50 percent (inclusive) of completeness degree	0.5
structure having from 51 to 80 percent (inclusive) of completeness degree	0.7
structure having 81 and more percent of completeness degree	1

j. the coefficient for the intended purpose of use of a structure (Cp) shall be set for:

structure of industrial significance	1
structure of agricultural significance	0.6

The Government of the Republic of Armenia shall establish the list of classification of structures by their targeted significance;

k. the auxiliary coefficient for the volume (internal dimensions) of a structure (Csv) shall be set as follows in the case of:

volume of up to 3 000 cu m (inclusive)	1
volume from 3 001 to 6 000 cu m (inclusive)	0.95
volume from 6 001 to 9 000 cu m (inclusive)	0.9
volume from 9 001 to 12 000 cu m (inclusive)	0.85
volume of 12 001 cu m and more	0.8

The auxiliary coefficient for the volume (internal dimensions) (Csv) shall be applied to the accumulative value of volumes (internal dimensions) existing in all storeys.

## **5. PROCEDURE FOR CALCULATING CADASTRAL VALUE OF OBJECTS OF PUBLIC AND INDUSTRIAL SIGNIFICANCE LOCATED IN MULTI-APARTMENT BUILDINGS**

5.1. Cadastral value of objects of public and industrial significance located in multi-apartment buildings shall be calculated by the following formula:

$$V = (V_1 + V_2 + \dots + V_n) \times C_z$$



where:

V1, V2, .... Vn — are the cadastral values of the first, second and the next storeys (including basement, semi-basement, technical floor and attic) which are calculated by the following formula:

$$V_n = V_L \times V_s \times C_s \times C_{dam} \times C_{dep} \times C_{com} \times C_{cov} \times C_{ed} \times C_p$$

where:

V<sub>L</sub> is the value for one cubic metre of the volume (internal dimensions) of the structure according to Table 5;

V<sub>s</sub> is the volume (internal dimensions) of the object, in cubic metres;

C<sub>z</sub> is the coefficient of location (area appraisal zoning) of a structure;

C<sub>s</sub> is the coefficient for the number of storeys of an object;

C<sub>dam</sub> is the coefficient describing the damage degree of a structure;

C<sub>dep</sub> is the coefficient describing the depreciation (exploitation period) of a structure;

C<sub>com</sub> is the coefficient describing the degree of completeness of a structure;

C<sub>cov</sub> is the coefficient for the type of covering of a structure;

C<sub>ed</sub> is the coefficient for the exterior design of a structure;

C<sub>p</sub> is the coefficient for the intended purpose of use of a structure.

5.2. For the purpose of valuation of objects of public and industrial significance located in multi-apartment building:

a. the value for one cubic metre of the volume (internal dimensions) of the structure (V<sub>L</sub>) shall be set for:

Table 5

objects located in stone structures	AMD 127 000
objects located in metal and concrete structures	AMD 100 000

b. the coefficient of location (area appraisal zoning) of a structure ( $C_z$ ) shall be established by the Government of the Republic of Armenia within the framework of the following measures:

Marz (City of Yerevan)	minimum	maximum
City of Yerevan	0.17	1
Kotayk	0.055	0.26
Armavir and Ararat	0.044	0.32
Aragatsotn	0.035	0.32
Shirak	0.035	0.21
Lori	0.035	0.26
Tavush	0.035	0.17
Syunik, Vayots Dzor and Gegharkunik	0.035	0.13

c. the coefficient for the number of storeys of an object ( $C_s$ ) shall be set for:

the first floor	1
the second and next floors	0.9
semi-basement	0.65

basement	0.5
attic and technical floors	0.7

d. the coefficient describing the damage degree of a structure ( $C_{dam}$ ) shall be set for:

structure with damage degree 0	1
structure with damage degree 1 and 2	0.95
structure with damage degree 3	0.5
structure with damage degree 4	0

e. the coefficient describing the depreciation (exploitation period) of a structure ( $C_{dep}$ ) shall be set for:

structure having up to 6 years (inclusive) of operation duration	1
structure having from 7 to 9 years (inclusive) of operation duration	0.94
structure having from 10 to 12 years (inclusive) of operation duration	0.91
structure having from 13 to 15 years (inclusive) of operation duration	0.88
structure having from 16 to 18 years (inclusive) of operation duration	0.85
structure having from 19 to 21 years (inclusive) of operation duration	0.82

structure having from 22 to 24 years (inclusive) of operation duration	0.79
structure having from 25 to 27 years (inclusive) of operation duration	0.76
structure having from 28 to 30 years (inclusive) of operation duration	0.73
structure having from 31 to 40 years (inclusive) of operation duration	0.7
structure having 41 and more years of operation duration	0.6

f. the coefficient describing the degree of completeness of a structure ( $C_{com}$ ) shall be set for:

structure having up to 50 percent (inclusive) of completeness degree	0.5
structure having from 51 to 80 percent (inclusive) of completeness degree	0.7
structure having 81 and more percent of completeness degree	1

g. the coefficient for the type of covering of a structure ( $C_{cov}$ ) shall be set for:

metal and concrete covering	1
wood covering	0.9

h. the coefficient for the exterior design of a structure (Ced) shall be set for:

structure having no exterior design	1
each polished facade of a structure having an exterior design	1.05
each coated facade of a structure having an exterior design	1.025
each glass facade of a structure having an exterior design	1.05
each plastered facade of a structure having an exterior design	1.01

The facade of the structure shall be deemed to be a glass facade, where more than 50 percent of the total surface area of the facade is made of glass.

i. the coefficient for the intended purpose of use of a structure (Cp) shall be set for:

structures of scientific, education and training significance	0.7
other structure of public and industrial significance	1

The Government of the Republic of Armenia shall establish the list of structures of scientific, education and training significance.

## **6. PROCEDURE FOR CALCULATING CADASTRAL VALUE OF LAND PARCELS (EXCEPT FOR LANDS OF AGRICULTURAL SIGNIFICANCE)**

(1) Cadastral value of each land parcel (except for lands of agricultural significance) shall be calculated by the following formula:

$$CVI = VI \times SI$$

where:

VI is the cadastral value for one hectare of land parcels (except for lands of agricultural significance);

SI is the surface of the land parcel being valuated, as expressed in hectares;

Cadastral values of land parcels (except for lands of agricultural significance) shall be defined by the Government of the Republic of Armenia.

**PROCEDURE FOR CADASTRAL VALUATION OF LANDS OF AGRICULTURAL  
SIGNIFICANCE**

**1. PROCEDURE FOR CALCULATING ESTIMATED NET INCOME OF LANDS OF  
AGRICULTURAL SIGNIFICANCE**

(2) Estimated net income of the lands of agricultural significance shall be calculated by the following formula:

$$NIc = Slag \times Vnin$$

where:

Slag is the surface area of a land of agricultural significance, as expressed in hectares;

Vnin is the estimated net income of the relevant land type of agricultural significance, relevant land valuation region, relevant valuation group calculated per one hectare.

The estimated net income of the relevant land type of agricultural significance, relevant land valuation region, relevant valuation group shall be defined by the Government of the Republic of Armenia.

## SECTION 12

### VEHICLE PROPERTY TAX

#### CHAPTER 50

#### *VEHICLE PROPERTY TAX AND TAXPAYERS*

##### **Article 239.        Vehicle property tax**

1. Vehicle property tax is a local tax, which does not depend on the results of the economic activity of taxpayers and is paid to the budgets of the communities of the Republic of Armenia — as prescribed by this section — for vehicles considered a taxable object belonging to the taxpayers by the right of ownership.

##### **Article 240.        Vehicle property taxpayers**

1. Organisations and natural persons, except for state administration institutions, community administration institutions and the Central Bank of the Republic of Armenia shall be considered vehicle property taxpayers.

2. If the taxable object belongs to more than one taxpayer by the common joint ownership right, they shall bear joint liability for the vehicle property tax liabilities prescribed by this section.

3. If the taxable object belongs to more than one taxpayer by the common joint ownership right, each of them shall bear liability in proportion to his or her share for the vehicle property tax liabilities prescribed by this section.



## **Article 241.            Authorised bodies**

1. Within the meaning of this Section, the concept “authorised body” prescribed by Article 4 of the Code shall have the following meaning:

(1) body maintaining movable property cadastre — relevant state administration body of the Government of the Republic of Armenia carrying out state registration of the rights and restrictions for vehicles prescribed by Article 242 of the Code and maintaining the state registration (record-registration) thereof;

(2) record-keeping bodies — local self-government bodies defined by the Law of the Republic of Armenia “On local self-government”, which:

a. carry out record-keeping of taxpayers and vehicle property tax as prescribed by the Government of the Republic of Armenia;

b. carry out acceptance of payments of vehicle property tax (including collection of overdue liabilities), control over the payment, as well as tax administration.

## **CHAPTER 51**

### ***VEHICLE PROPERTY TAXABLE OBJECT, TAX BASE AND RATES***

## **Article 242.            Object taxable by vehicle property tax**

1. The following vehicles shall be considered vehicle property taxable objects:

(1) motor vehicles;

(2) water transport (working with engine);

(3) motorcycle;

(4) snowmobile;

(5) all-terrain vehicle (quadricycle).

#### **Article 243. Vehicle property tax base**

1. The traction engine power (expressed in horsepower or kilowatt) of a vehicle considered a taxable object shall be deemed to be the vehicle property tax base. If the vehicle has more than one traction engine, the total power of all the traction engines shall be considered to be the vehicle property tax base.

#### **Article 244. Vehicle property tax rates**

1. The annual amount of the vehicle property tax of motor vehicles shall be calculated at the following rates:

(1) for passenger motor vehicles with up to 10 seats, if the tax base is

a. 1-120 (inclusive) horsepower — AMD 200 per horsepower;

b. 121-250 (inclusive) horsepower — AMD 300 per horsepower, as well as additional AMD 1 000 per each horsepower exceeding 150 horsepower;

c. 251 and more horsepower — AMD 500 per horsepower, as well as additional AMD 1 000 per each horsepower exceeding 150 horsepower;

(2) for passenger motor vehicles and trucks (cargo and passenger motor vehicles) with 10 and more seats, if the tax base is:

a. 1-200 (inclusive) horsepower — AMD 100 per horsepower;

b. 201 and more horsepower — AMD 200 per horsepower.

2. The annual amount of vehicle property tax of motorcycles shall be calculated at the rate of AMD 40 per each horsepower of tax base.

3. The annual amount of vehicle property tax of water transports, snowmobiles and all-terrain vehicles (quadricycles) shall be calculated at the rate of AMD 150 per each horsepower of tax base.

4. The property tax for the tax year including the release date of the motor vehicle and each of the two tax years following it shall be calculated by 100 percent.
5. The amount of property tax for the third and each subsequent tax year following the one including the release date of the motor vehicle shall be reduced in the amount of 10 percent of the tax but not more than 50 percent of the property tax amount.
6. Irrespective of the provisions of part 5 of this Article, no vehicle property tax shall be calculated and paid for the truck or cargo and passenger motor vehicle starting from the 20<sup>th</sup> tax year following the one including the release date of the given motor vehicle.
7. Where the tax base of vehicles is expressed in kilowatts, the annual amount of the vehicle property tax shall be calculated applying coefficient 1.36 to the relevant power.
8. Upon the proposal of the head of the community, the community council may raise up to 10 percent the rates for the calculation of the vehicle property tax prescribed by parts 1-3 of this Article, which is paid to the budget of the given community.

## **CHAPTER 52**

### ***VEHICLE PROPERTY TAX BENEFITS***

#### **Article 245.        Vehicle property tax benefits**

1. The following shall be exempt from the vehicle property tax:
  - (1) persons with disabilities, who received cars from state social security bodies under privileged conditions, in respect of those cars;
  - (2) postal communication national operator;
  - (3) The vehicle considered a taxable object, which belongs by the right of ownership to the persons (or their family members), who died during the defence military operations of the Republic of Armenia or were declared as missing or missing in

absentia or dead while performing their official duties — until one of the children of these persons attains the age of 18, and in case the person was not married or has/had no children — until the termination of the ownership right of the family member over the taxable object;

(4) persons performing compulsory military service in the Armed Forces of the allied countries according to the international treaties of the Republic of Armenia, as well as in the Armed Forces of the Republic of Armenia and other troops, during the service, with regard to the vehicles considered a taxable object belonging to them by the right of ownership. The benefit prescribed by this point shall not apply where the vehicle deemed to be a taxable object has been provided for lease or transferred to trust management during the service;

(5) after the expiration of the term of the compulsory military service, the persons referred to in point 4 of this part, who completed military service in the Armed Forces of the Republic of Armenia and other troops and graduated from military-educational institutions shall also be exempt from the vehicle property tax, with regard to the part not exceeding 150 horsepower of one vehicle.

Where more than one vehicle belongs to the taxpayer referred to in this point by the right of ownership, the benefit shall apply to the vehicle referred to in the application of the taxpayer, while the ground for the application of the benefit shall be considered the statement of information on the number of the vehicles belonging to the taxpayer by the right of ownership, issued by the body maintaining movable property cadastre, as well as the statement (statements) of information on the non-application of the benefit in respect of other vehicles, issued by the record-registration body (bodies) of the place (places) of vehicle registration.

The benefits prescribed by this point shall not apply where the vehicle deemed to be a taxable object has been provided for lease or transferred to trust management after the service, as well as where the vehicle deemed to be a taxable object has been acquired after the expiration of the service term.

2. The community council may, upon submission by the community head and in the manner prescribed by the community council, grant benefits in respect of the vehicle property tax and take decisions with regard to them on making payment from the community budget instead of the vehicle property taxpayer. Pursuant to this part, the amount of the benefit granted by the community council may not exceed 10 percent of the revenues specified in the community budget for the given tax year in respect of the vehicle property tax. Additional subsidies shall not be provided from the State Budget of the Republic of Armenia to the community budget for the amounts of the benefits granted by the community council in respect of the vehicle property tax.
3. The vehicle property taxpayer enjoying a vehicle property tax benefit during the tax year shall be exempt from the vehicle property tax starting from the 1<sup>st</sup> day of the month, when the right to the benefit has arisen.
4. If the vehicle property tax benefit is terminated during the tax year, the vehicle property tax shall be calculated from the 1<sup>st</sup> day of the month following the one during which the benefit was terminated.
5. The documents attesting to the right of enjoyment of the vehicle property tax benefits and the procedure for the submission thereof shall be prescribed by the Government of the Republic of Armenia.

## **CHAPTER 53**

### ***CALCULATION OF VEHICLE PROPERTY TAX***

#### **Article 246.       The procedure for the emergence and termination of the vehicle property tax liability**

1. The vehicle property tax liability shall arise from the 1<sup>st</sup> day of the month following the one during which the ownership right over the vehicle property taxable object or a

part thereof arose. The documents substantiating the ownership right over the vehicle property taxable object or a part thereof shall be considered a ground for the calculation of the vehicle property tax (emergence of tax liabilities).

2. The calculation of the vehicle property tax shall be terminated from the 1<sup>st</sup> day of the month following the one during which the ownership right over the vehicle property taxable object or a part thereof was terminated.

3. Irrespective of the provisions of parts 1 and 2 of this Article:

(1) in case a natural person considered the owner of a taxable object dies or is declared dead by a judgment of the court, the tax liabilities in respect of the taxable object, which were not discharged by the natural person who died or was declared dead by a judgement of the court, as well as the tax liabilities calculated in respect of the vehicle property tax of the given taxable object from the day of his or her death until the month (inclusive) of the registration of the ownership (succession) right in a manner prescribed by the legislation of the Republic of Armenia, shall be transferred to the new owner as prescribed by the Code. In cases prescribed by this point, the vehicle property tax liabilities shall arise from the 1<sup>st</sup> day of the month following the one during which the ownership (succession) right was registered;

(2) if the ownership right over the taxable object is granted state registration on the basis of a judgement, decision or legal act, the vehicle property tax liabilities calculated in respect of the given taxable object from the 1<sup>st</sup> day of the month following the one during which the judgement, decision or legal act was adopted, until the month (inclusive) of the state registration of the ownership right shall be transferred to the new owner. In cases prescribed by this point, the vehicle property tax liabilities shall arise from the 1<sup>st</sup> day of the month following the one during which the judgment, decision or legal act entered into force;

(3) if the ownership right of a natural person over a taxable object or, in cases prescribed by points 1 and 2 of this part, the tax liability for the payment of the vehicle

property tax arises during the month preceding the period prescribed by part 1 of Article 251 of the Code, the tax liability of the given tax year in respect of the given taxable object shall be added to that of the following tax year;

(4) where the vehicle considered a taxable object belonging to natural persons is temporarily removed from record-registration in the authorised body record-registering (registering) vehicles, in case it is defective or its state license plates of old sample have not been replaced and it is not used before 31 December 2010 in the manner prescribed by the legislation of the Republic of Armenia, the vehicle property tax liability shall be terminated from 1 January of the tax year following the one during which the final annual technical inspection of that vehicle was conducted. In case of conducting repeat record-registration of the vehicle in the authorised body according to the application of a natural person, the vehicle property tax liabilities terminated in respect of that vehicle shall be reversed and be subject to discharge in the manner and amount prescribed by this section.

4. The existence of any lien put on the vehicle considered a taxable object as prescribed by the law shall not be considered a ground for not calculating the vehicle property tax.

#### **Article 247. Reporting period**

1. Each reporting year shall be considered a reporting period for the calculation and payment of the vehicle property tax.

#### **Article 248. Procedure for the calculation of the amount of vehicle property tax subject to payment to local budget**

1. The vehicle property tax shall be calculated by multiplying the tax base prescribed by Article 243 of the Code by relevant rates prescribed by Article 244 of the Code,

considering the benefits prescribed by Article 245 of the Code and the provisions of Article 249 of the Code.

2. Where the vehicle property tax liability arises or the calculation of the vehicle property tax is terminated as prescribed by Article 246 of the Code, the annual amounts of the vehicle property tax calculated in accordance with part 1 of this Article shall be adjusted in proportion to the months of the emergence of the vehicle property tax liabilities or the termination of the vehicle property tax calculation during the given tax year.

3. Based on the information received from the body maintaining movable property cadastre as prescribed by Article 250 of the Code, the record-keeping bodies shall — in the manner prescribed by this section — calculate the amounts of the vehicle property tax of vehicle property taxpayers and submit to the latter notification letters on the vehicle property tax payment (including by post or personal delivery) until 1 November of the current tax year.

4. The failure to submit the notification letter within the period prescribed by part 3 of this Article shall not exempt the vehicle property taxpayer from the obligation of discharging tax liabilities in full.

5. The vehicle property taxpayers may apply to the record-keeping bodies for receiving information or a statement of information on their liabilities in respect of vehicle property tax. The record-keeping bodies shall issue the mentioned statements of information or provide the mentioned information within three working days after receiving the applications.

6. Where the vehicle property taxpayers do not agree with the calculation of the vehicle property tax, they may apply to the relevant record-keeping bodies for the purpose of adjustment of the calculation of the vehicle property tax with respect to a vehicle considered a taxable object, while for receiving necessary information and data on the adjustment of the tax base they may apply to the body maintaining the movable



property cadastre. The record-keeping or authorised bodies shall provide the mentioned information within three working days after receiving the applications.

**Article 249. Procedure for the calculation of the amount of property tax of vehicles under common ownership**

1. The vehicle property tax of a vehicle property taxable object under common ownership shall be calculated by the record-keeping bodies from the entire tax base of the vehicle.

2. Based on the information received from the body maintaining movable property cadastre as prescribed by Article 250 of the Code, the record-keeping bodies shall calculate the vehicle property tax of the co-owner vehicle property taxpayers:

(1) in case of common joint ownership — the entire tax liability calculated for the entire tax base of a vehicle property taxable object for either of the co-owners as prescribed by Article 248 of the Code;

(2) in case of common shared ownership — the tax liability calculated as prescribed by Article 248 of the Code for the entire tax base of a vehicle property taxable object for each of the co-owners in the amount of his or her share.

**Article 250. Provision of information**

1. According to the procedure prescribed by the Government of the Republic of Armenia:

(1) The relevant authorised body maintaining movable property cadastre shall until 1 August (inclusive) of the given tax year submit to the record-keeping bodies information on the vehicles registered (record-registered) as of 1 July of the tax year

and considered taxable objects belonging to the vehicle property taxpayers by the right of ownership;

(2) the relevant authorised body maintaining movable property cadastre shall until the 15<sup>th</sup> day (inclusive) of each month submit to the record-keeping bodies information on changes with regard to the vehicle owners and the registration (record-registration) data of vehicles during the preceding month;

(3) While fulfilling their functions, the tax authorities may receive information on the calculated amounts of vehicle property tax from relevant record-keeping bodies.

2. For the purpose of the calculation of the vehicle property tax, the vehicle property taxpayers may receive necessary information from the relevant authorised bodies prescribed by Article 241 of the Code.

## **CHAPTER 54**

### ***PROCEDURE FOR PAYMENT, OFFSET AND REFUND OF VEHICLE PROPERTY TAX***

#### **Article 251. Payment of vehicle property tax amount**

1. Organisations and natural persons shall pay the annual amounts of the vehicle property tax (including the amounts of vehicle property tax liability calculated in the cases and manner prescribed by points 1-3 of part 3 of Article 246) to the community budget of the place of their state registration (record-registration) until 1 December (inclusive) of the tax year, considering the peculiarities prescribed by this Article. Given the absence of the place of record-registration (registration), natural persons shall pay the amounts of the vehicle property tax referred to in this part to the community budget of their main place of residence. If the main place of residence of the natural person is outside the territory of the Republic of Armenia, the amounts of

the vehicle property tax referred to in this Article shall be paid to the community budget of the main place of location of the vehicle.

2. Natural persons shall completely discharge the tax liability in respect of the vehicle property tax for vehicles subject to annual technical inspection before presenting the vehicles for annual tax inspection in the given tax year.

3. The technical inspection of vehicles shall be carried out on the basis of a statement of information issued by the record-keeping bodies on the absence of tax liabilities in respect of the given vehicle, which also indicates the period of the tax year of issuing the statement of information for which the payments of the vehicle property tax in respect of the given vehicle have been made.

4. Where the vehicle is alienated, natural persons paying vehicle property tax shall completely discharge the vehicle property tax liabilities in respect of the given vehicle, which is a vehicle property taxable object, for the period including the month of the state registration day (inclusive) of the transfer of ownership right until the state registration of the ownership right arising from the alienation contract.

5. Where the vehicle is alienated, the organisations paying vehicle property tax shall completely discharge the vehicle property tax liabilities in respect of all vehicle property taxable objects record-registered in the given community for the period including the month of the state registration day (inclusive) of the transfer of ownership right until the state registration of the ownership right arising from the alienation contract.

6. The body maintaining movable property cadastre shall carry out the state registration of vehicles on the basis of a statement of information issued by the record-keeping bodies on the absence of tax liabilities in respect of the vehicle, which also indicates the period of the tax year of issuing the statement of information for which the liabilities of vehicle property tax (for organisations — those of the property tax of

vehicles recorded in the given record-keeping body) in respect of the given vehicle have been discharged.

7. Where the vehicle considered a taxable object belonging to natural persons is temporarily removed from record-registration in the body maintaining movable property cadastre of vehicles, in case it is defective or its state license plates of old sample have not been replaced and it is not used before 31 December 2010 in the manner prescribed by the legislation of the Republic of Armenia, the information submitted by the body maintaining movable property cadastre in the manner prescribed by Article 250 of the Code or a document substantiating the defect or temporary removal from record-registration (which also necessarily indicates the date of the last annual technical inspection of the given vehicle) issued to the vehicle property taxpayer shall serve as a basis for termination of the property tax liability of the vehicle (re-calculation of the vehicle property tax by record-keeping bodies). Upon the application of the natural person, the vehicles shall be subject to repeat record-registration in the body maintaining movable property cadastre on the basis of a statement of information on the absence of vehicle property tax liabilities issued to the vehicle property taxpayer by record-keeping bodies.

**Article 252. Offset and/or refund of vehicle property tax amount for other tax liabilities**

1. The offset and/or refund of vehicle property tax paid in excess of the amounts prescribed by the Code shall be carried out in the manner prescribed by the Government of the Republic of Armenia.

## **SECTION 13**

### **SPECIAL TAX SYSTEMS**

#### **CHAPTER 55**

##### ***TURNOVER TAX SYSTEM***

###### **Article 253. Turnover tax**

1. Turnover tax is a state tax, which substitutes the VAT and/or the profit tax and is paid to the State Budget in the manner, amount and within the time limits prescribed by the Code for carrying out the types of activity prescribed by Article 256 of the Code, which are considered to be taxable objects.
2. For resident commercial organisations the turnover tax shall substitute the VAT and/or the profit tax. The estimated value of profit tax in the turnover tax shall be considered to be 40 percent, while the estimated value of VAT — 60 percent.
3. For individual entrepreneurs and notaries the turnover tax shall substitute the VAT.

###### **Article 254. Turnover taxpayers**

1. The resident commercial organisations meeting the condition prescribed by part 2 of this Article, individual entrepreneurs and notaries (except for the cases prescribed by part 3 of this Article) shall be considered turnover taxpayers (irrespective of whether or not the types of activity considered to be objects taxable exclusively by patent tax have been carried out) in the following cases and time limits:
  - (1) from 1 January of the given tax year until the end thereof (except for the case of being considered a VAT payer prescribed by Article 59 of the Code during the tax

year), if the taxpayer has until 20 February (inclusive) of the given tax year submitted to the tax authority a statement in a form approved by the tax authority on being considered a turnover taxpayer;

(2) a commercial organisation which has been granted state registration during the tax year or a natural person record-registered as an individual entrepreneur or appointed as a notary, accordingly from the day of the state registration as an organisation or record-registration as an individual entrepreneur or appointment as a notary until the end of the given tax year (except for the case of being considered a VAT payer prescribed by Article 59 of the Code during the tax year), if the taxpayer has submitted to the tax authority a statement in a form approved by the tax authority on being considered a turnover taxpayer on the 20<sup>th</sup> day (inclusive) following that of the state registration as an organisation or record-registration as an individual entrepreneur or appointment as a notary. Within the meaning of this point, the state registration of the re-organisation of organisations shall also be considered as state registration of a newly-created organisation or organisations established as a result of the re-organisation (except for the organisation, which is joined by another organisation or organisations in case of re-organisation through amalgamation, and the organisation from which another organisation or organisations are separated in case of re-organisation through separation);

(3) a commercial organisation or an individual entrepreneur which ceased to be considered a family entrepreneurship entity during the tax year, from the day of ceasing to be considered a family entrepreneurship entity until the end of the given tax year (except for the case of being considered a VAT payer prescribed by Article 59 of the Code during the tax year), if the taxpayer has until the 20<sup>th</sup> day (inclusive) following that of ceasing to be considered a family entrepreneurship entity submitted to the tax authority a statement in a form approved by the tax authority on being considered a turnover taxpayer;

(4) from the day referred to in the statement in a form approved by the tax authority on being considered a turnover taxpayer (but not earlier than the 20<sup>th</sup> day preceding the submission of the statement) until the end of the given tax year (except for the case of being considered a VAT payer prescribed by Article 59 of the Code during the tax year), if the family entrepreneurship entity has submitted to the tax authority a statement in a form approved by the tax authority on being considered a turnover taxpayer. If according to Article 268 of the Code, the family entrepreneurship entity ceases to be considered as such before the day referred to in the statement in a form approved by the tax authority on being considered a turnover taxpayer, the family entrepreneurship entity shall be deemed to be a turnover taxpayer from the day of ceasing to be considered a family entrepreneurship entity as prescribed by point 3 of this part until the 20<sup>th</sup> day (inclusive) following that day by submitting to the tax authority a new statement in a form approved by the tax authority on being considered a turnover taxpayer (the previously submitted statement in a form approved by the tax authority on being considered a turnover taxpayer shall not be taken into consideration), and in case of not being considered a turnover taxpayer as prescribed by that point, he or she shall be considered a VAT payer according to point 3 of part 1 of Article 59 of the Code;

(5) a commercial organisation or an individual entrepreneur or a notary who did not carry out activity (terminated their activity) before 20 February (inclusive) of the tax year, from the day of resuming their activity until the end of the given tax year (except for the case of being considered a VAT payer prescribed by Article 59 of the Code during the tax year), if the taxpayer has on the 20<sup>th</sup> day (inclusive) following that of resuming the activity submitted to the tax authority a statement in a form approved by the tax authority on being considered a turnover taxpayer;

(6) an individual entrepreneur removed from state record-registration or a notary dismissed from position before the beginning of the given tax year, from the day of the repeat record-registration as an individual entrepreneur or re-appointment as a

notary during the given tax year until the end thereof (except for the case of being considered a VAT payer prescribed by Article 59 of the Code during the tax year), if the taxpayer has on the 20<sup>th</sup> day (inclusive) following that of repeat record-registration as an individual entrepreneur or re-appointment as a notary submitted to the tax authority a statement in a form approved by the tax authority on being considered a turnover taxpayer;

(7) an individual entrepreneur removed from state record-registration or a notary dismissed from position during the tax year, from the day of repeat record-registration as an individual entrepreneur or re-appointment as a notary during the given tax year until the end thereof (except for the case of being considered a VAT payer prescribed by Article 59 of the Code during the tax year), if the taxpayer has on the 20<sup>th</sup> day (inclusive) following that of repeat record-registration as an individual entrepreneur or re-appointment as a notary submitted to the tax authority a statement in a form approved by the tax authority on being considered a turnover taxpayer, except for the cases when the individual entrepreneur or the notary were considered VAT payers in accordance with Article 59 of the Code accordingly before their removal from state record-registration or dismissal from position during the given tax year.

2. The resident commercial organisation, individual entrepreneur and notary, whose sales turnover in respect of all types of activities did not exceed AMD 58,35 million during the preceding tax year, may be considered a turnover taxpayer. Within the meaning of this part:

(1) the sales turnover shall also include the sales turnover attributed to the types of activity carried out within the framework of patent tax and/or special tax systems of family entrepreneurship;

(2) in case of the re-organisation of commercial organisations, the following peculiarities shall be considered:



a. in case of the re-organisation of an organisation through division, the sales turnover of all types of activities carried out by the organisation re-organised through division during the preceding tax year shall be considered to be the sales turnover of all types of activities carried out by each of the newly-created organisation during the preceding tax year;

b. in case of the re-organisation of an organisation through separation, the sales turnover of all types of activities of the re-organised organisation carried out during the preceding tax year shall be considered to be the sales turnover of all types of activities of both the organisation from which another organisation or organisations have been separated and each of the separated organisation or organisations during the preceding tax year;

c. in case of the re-organisation of organisations through consolidation, the total entirety of the sales turnovers of all types of activities carried out by the consolidated organisations during the preceding tax year shall be considered to be the sales turnover of all types of activities of the newly-created organisation during the preceding tax year;

d. in case of the re-organisation of organisations through absorption, the entirety of the sales turnover of all types of activities carried out by the organisation, which has absorbed another organisation or organisations, during the preceding tax year and the sales turnovers of all types of activities carried out by the absorbed organisation or organisations during the preceding tax year shall be considered to be the sales turnover of all types of activities of the given organisation during the preceding tax year.

3. The following may not be considered turnover taxpayers:

(1) according to Chapter 57 of the Code, the patent taxpayers, in respect of those types of activity;

(2) according to Article 83 of the Code, the excise taxpayers;

(3) banks, credit organisations, insurance companies, investment companies, professional participants in the securities market, pawnshops, persons engaged in

currency exchange and currency exchange dealer/broker activities, investment funds, fund managers, payment and settlement organisations, persons engaged in organisation activities of casinos and games of chance, and audit companies;

(4) organisations, individual entrepreneurs and notaries, who violated the operational rules of cash register machine for the third time during the tax year — from the day of recording the violation until the end of the tax year following the one including that day;

(5) according to part 1 of Article 30 of the Code, the organisations, individual entrepreneurs and notaries considered to be related, except for the cases when according to part 1 of Article 30 of the Code, the organisations and/or natural persons related thereto submitted to the tax authority a statement on terminating their activity and did not actually carry out activity after the day of submitting the statement, and in case of referring to another day of terminating the activity in the statement, after that day;

(6) according to part 2 of Article 30 of the Code, the organisations, individual entrepreneurs and notaries considered as related, if during the preceding or current tax year the entirety of the sums total of the sales turnover of all types of activities and other incomes of the commercial organisations, individual entrepreneurs and notaries declared as related upon the decision of the head of the tax authority exceeds AMD 58,35 million;

(7) organisations and individual entrepreneurs acting as a party to a contract on joint activity prescribed by Article 31 of the Code, as well as to a commission contract for supply of goods or an agency contract for supply of goods envisaging a condition of acting on behalf of the agent.

4. Commercial organisations, individual entrepreneurs and notaries shall be considered turnover taxpayers in respect of all types of activities, except for those, which are deemed to be patent taxable objects.

5. The resident commercial organisation considered an organiser of a drawing, instant and/or combined lottery (hereinafter referred to as “lottery”) shall be considered and shall not cease to be considered a turnover taxpayer irrespective of the restrictions prescribed by this Chapter.

#### **Article 255. Cessation of being considered a turnover taxpayer**

1. A turnover taxpayer shall cease to be considered as such, where:

(1) he or she has submitted to the tax authority a statement, making a note about being considered and record-registered as a VAT payer — from the day indicated in the statement (but not earlier than the 20<sup>th</sup> day preceding the day of submitting the statement) until the end of the tax year referred to in the statement;

(2) the sales turnover in respect of all types of activities during the current tax year exceeded AMD 58,35 million — from the moment of exceeding until the end of the given tax year;

(3) one of the facts referred to in points 2, 3, 5 or 7 of part 3 of Article 254 of the Code has occurred — from the day of the occurrence of that fact until the end of the given tax year;

(4) the fact referred to in point 4 of part 3 of Article 254 of the Code has occurred — from the day of the occurrence of that fact until the end of the tax year following the one including that day;

(5) the fact referred to in point 6 of part 3 of Article 254 of the Code has occurred — from the day of the occurrence of that fact until the end of the tax year including the day the judgment of the court on invalidating that decision entered into force.

2. The commercial organisation, individual entrepreneur or notary submits to the tax authority a statement, indicating the relevant ground and day of ceasing to be considered a turnover taxpayer, from the day of the occurrence of any of the facts

prescribed by point 2 and 3 of part 1 of this Article until the 20<sup>th</sup> day (inclusive) following that day.

#### **Article 256. Turnover taxable objects**

1. The supply of goods, performance of works and/or provision of services shall be considered a turnover taxable object. Within the meaning of this point, the transactions for which rental or usage fee, interest and/or royalty are received, shall also be considered provision of services.

#### **Article 257. Turnover tax base**

1. The sales turnover of transactions considered a taxable object prescribed by Article 256 of the Code shall be considered a turnover tax base.
2. Within the meaning of this Article, the accounting of incomes shall be carried out as prescribed by Section 6 of the Code.

#### **Article 258. Turnover tax rates**

1. Considering the provisions prescribed by part 2 of this Article, the turnover tax against the tax base of transactions considered a turnover taxable object shall be calculated at the following rates:

Type of income	Rate (percent)
Incomes derived from the commercial (purchase and sale) activity, except for incomes derived from the commercial (purchase and sale) activity of the secondary raw material included in the list defined by the Government of the	5

Republic of Armenia and alienation of immovable property and means of transportation	
Incomes derived from the commercial (purchase and sale) activity of the secondary raw material included in the list defined by the Government of the Republic of Armenia	1.5
Incomes derived by editorial offices from the alienation of newspapers	1.5
Incomes derived from production activity	3.5
Incomes derived from the alienation of rental, interest, royalty, immovable property and means of transportation	10
Incomes derived from notarial activity	10
Incomes derived from the activity of lottery organisation	25
Incomes derived from other activity	5

2. The amount of turnover tax calculated for the reporting period in respect of the tax base formed from the commercial (purchase and sale) activity (except for the tax base formed from the commercial (purchase and sale) activity of the secondary raw material included in the list prescribed by the Government of the Republic of Armenia) at the rate prescribed by part 1 of this Article shall be deducted in the amount of 4 percent of the expenses (including the amounts of VAT, excise tax and/or environmental tax) for the goods acquired for immediate sale during the given reporting period supported by the settlement documents prescribed by points 1-4 of part 2 of Article 55 of the Code, as well as the sum total of the customs value, calculated customs duty, VAT, excise tax and/or environmental taxes reflected in the customs declarations of import in respect of the goods imported to the Republic of Armenia or the sum total of the VAT tax base, calculated VAT, excise tax and/or

environmental tax (hereinafter referred to in this Chapter as “expenses for acquiring goods”) reflected in tax declarations of import. Where after the deductions prescribed by this part, the amount of turnover tax is less than 1.5 percent of the tax base formed from the commercial (purchase and sale) activity, the deduction of the expenses for acquiring goods shall be made in an amount for the turnover tax to comprise 1.5 percent of the tax base formed from the commercial (purchase and sale) activity. In accordance with this part, the part not deducted from the turnover tax amount in respect of the expenses for acquiring goods (including in the event of the absence of a tax base formed from the commercial (purchase and sale) activity for the reporting period) shall be deducted from the turnover tax amount calculated against the tax base formed from the commercial (purchase and sale) activity for future reporting periods, observing the requirements of this part.

**Article 259.           Reporting period**

1. Each reporting quarter shall be considered to be a reporting period for turnover tax calculation and payment.

**Article 260.           Procedure for the calculation of the turnover tax amount  
subject to payment to the State Budget**

1. Based on the results of the activity (except for the commercial (purchase and sale) activity) of the reporting period, the turnover taxpayers shall pay to the State Budget the amount of turnover tax calculated against the tax base formed during that period, applying the relevant rates prescribed by part 1 of Article 258 of the Code.
2. Based on the results of the commercial (purchase and sale) activity (except for the commercial (purchase and sale) activity of secondary raw material included in the list prescribed by the Government of the Republic of Armenia) of the reporting period,

the turnover taxpayers shall pay to the State Budget the difference between the amount of turnover tax calculated against the tax base formed during that period applying the relevant rates prescribed by part 1 of Article 258 of the Code and that deductible from the amount of turnover tax calculated as prescribed by part 2 of Article 258 of the Code.

3. For the purpose of the calculation of the turnover tax in respect of the commercial (purchase and sale) activity, goods shall be accounted separately.

**Article 261. Submission of turnover tax calculation reports**

1. Turnover taxpayers shall, as prescribed by Article 53 of the Code, submit to the tax authority turnover tax calculation reports until the 20<sup>th</sup> day (inclusive) of the month following each reporting period.

**Article 262. Payment of turnover tax amount**

1. Turnover taxpayers shall pay to the State Budget the turnover tax amounts, which are calculated as prescribed by Article 260 of the Code and subject to payment to the State Budget, until the 20<sup>th</sup> day (inclusive) of the month following each reporting period.

**Article 263. Calculation and payment of other taxes and fees by turnover taxpayers**

1. The procedures for the calculation and payment of other taxes (which are not substituted by turnover tax) and fees shall be maintained for the turnover taxpayer in the cases and manner prescribed by the Code, except for cases prescribed by part 2 of this Article.

2. With respect to relations regulated by this Chapter, turnover taxpayers shall be exempt from:

- (1) making advance profit tax payments prescribed by Article 135 of the Code;
- (2) performing obligations prescribed for the tax agent by part 13 of Article 150 of the Code.

**Article 264. Shift from the turnover tax system to general tax system**

1. From the moment of ceasing to be considered a turnover taxpayer (from the moment of shifting from the turnover tax system to general tax system), the taxpayers shall — as prescribed by the Code — calculate and discharge their tax liabilities during the remaining period of the given tax year in respect of the tax bases formed after the moment of ceasing to be considered a turnover taxpayer.

2. In case of shifting from the turnover tax system to general tax system, the expenses for acquiring fixed assets and intangible assets shall — as prescribed by the Code — be deducted from the gross income of the taxpayer before and/or during the period of being considered a turnover taxpayer. Within the meaning of this part, in case of shifting from the turnover tax system to general tax system:

- (1) the amortisation deductions calculated as prescribed by Article 121 of the Code with regard to fixed assets and intangible assets in the turnover tax system shall be taken into consideration for the purpose of determining the book value of fixed assets and intangible assets;
- (2) the expenses for the amortisation deductions calculated as prescribed by Article 121 of the Code with regard to fixed assets and intangible assets shall be deducted from the gross income from the 1<sup>st</sup> day of the month following the one including the day of shifting from the turnover tax system to general tax system;



(3) the administrative, sales and other expenses of non-productive nature, as well as financial expenses (in respect of the part, which, according to the same part, shall be deducted during the tax year it refers to) prescribed by part 7 of Article 121 of the Code, which refer to the month including the day of shifting from the turnover tax system to general tax system, shall be deducted from the gross income in the amount corresponding to the proportion of the days — included in the period from the day of shifting from the turnover tax system to general tax system until the end of the month including that day — within all the days of the given month.

3. In case of shifting from the turnover tax system to general tax system, the original costs of the assets not referred to in part 2 of this Article (except for the goods prescribed by part 2 of Article 258 of the Code) and made before and/or during the period of being considered a turnover taxpayer shall be deducted from the gross income of the taxpayer as prescribed by the Code.

#### **Article 265.        Crediting of turnover tax amount to unified account**

1. The turnover tax amounts paid in excess of the amounts prescribed by the Code shall be credited to the unified account in the manner and within the time limits prescribed by the Code with regard to tax administration.

## **CHAPTER 56**

### ***FAMILY ENTREPRENEURSHIP SYSTEM***

#### **Article 266.        Family entrepreneurship**

1. The joint activity carried out by more than one family member for the purpose of deriving entrepreneurial income shall be considered a family entrepreneurship.

2. Within the meaning of this Chapter, the parent, spouse, child, brother and sister shall be considered family members.

**Article 267. Subjects of family entrepreneurship**

1. Resident commercial organisations and individual entrepreneurs (except for the cases prescribed by part 5 of this Article) meeting the conditions prescribed by parts 2-4 of this Article shall be considered family entrepreneurship entities in the following cases and time limits:

(1) from 1 January of the given tax year until the end thereof (except for the cases of being considered a turnover taxpayer during the tax year as prescribed by Article 254 of the Code or a VAT payer during the tax year as prescribed by Article 59 of the Code) if the taxpayer has, before 20 February (inclusive) of the given tax year, submitted to the tax authority a statement in a form approved by the tax authority on being considered a family entrepreneurship entity and relevant documents substantiating that the persons involved in the family entrepreneurship are family members;

(2) a commercial organisation which has been granted state registration or a natural person record-registered as an individual entrepreneur during the tax year, accordingly from the day of state registration as an organisation or record-registration as an individual entrepreneur until the end of the given tax year (except for the cases of being considered a turnover taxpayer during the tax year as prescribed by Article 254 of the Code or a VAT payer during the tax year as prescribed by Article 59 of the Code) if the taxpayer has, before the 20<sup>th</sup> day (inclusive) after that of state registration as an organisation or record-registration as an individual entrepreneur, submitted to the tax authority a statement in a form approved by the tax authority on being considered a family entrepreneurship entity and relevant documents substantiating that the persons involved in the family entrepreneurship are family members. Within

the meaning of this point, the state registration of the re-organisation of organisations shall also be deemed to be a state registration of newly-created organisation or organisations established as a result of the re-organisation (except for the organisation, which is joined by another organisation or organisations in case of the re-organisation through amalgamation, and the organisation from which another organisation or organisations are separated in case of re-organisation through separation);

(3) from the day a commercial organisation or an individual entrepreneur, which did not carry out activity (terminated its activity) until 20 February (inclusive) of the given tax year, resumes its activity until the end of the given tax year (except for the cases of being considered a turnover taxpayer during the tax year as prescribed by Article 254 of the Code or a VAT payer during the tax year as prescribed by Article 59 of the Code), if the taxpayer has, before the 20<sup>th</sup> day (inclusive) following that of resuming their activity, submitted to the tax authority a statement in a form approved by the tax authority on being considered a family entrepreneurship entity and relevant documents substantiating that the persons involved in the family entrepreneurship are family members;

(4) an individual entrepreneur removed from state record-registration before the beginning of the given tax year, from the day of repeat record-registration as an individual entrepreneur during the tax year until the end thereof (except for the cases of being considered a turnover taxpayer during the tax year as prescribed by Article 254 of the Code or a VAT payer during the tax year as prescribed by Article 59 of the Code), if the taxpayer has, before the 20<sup>th</sup> day (inclusive) following that of repeat record-registration as an individual entrepreneur submitted to the tax authority a statement in a form approved by the tax authority on being considered a family entrepreneurship entity and relevant documents substantiating that the persons involved in the family entrepreneurship are family members;

(5) an individual entrepreneur removed from state record-registration during the tax year, from the day of repeat record-registration as an individual entrepreneur during the given tax year until the end thereof (except for the cases of being considered a turnover taxpayer during the tax year as prescribed by Article 254 of the Code or a VAT payer during the tax year as prescribed by Article 59 of the Code), if the taxpayer has, before the 20<sup>th</sup> day (inclusive) following that of repeat record-registration as an individual entrepreneur submitted to the tax authority a statement in a form approved by the tax authority on being considered a family entrepreneurship entity and relevant documents substantiating that the persons involved in the family entrepreneurship are family members, except for the cases when the individual entrepreneur was, according to Article 254 of the Code, considered a turnover taxpayer during the given tax year before being removed from state record-registration, or a VAT payer, according to Article 59 of the Code.

Within the meaning of this part, the list of relevant documents substantiating that the persons involved in the family entrepreneurship are family members shall be prescribed by the tax authority. In the event of changes in the family members involved in family entrepreneurship, the commercial organisations and individual entrepreneurs shall prior to making the change submit to the tax authority a new statement in a form approved by the tax authority on being considered a family entrepreneurship entity and relevant documents substantiating that the new persons involved in the family entrepreneurship are family members.

2. A resident commercial organisation and an individual entrepreneur, whose sales turnover in respect of all types of activities did not exceed AMD 18 million during the preceding tax year, may be considered a family entrepreneurship entity. Within the meaning of this part:

(1) the sales turnover shall also include the sales turnover attributed to the types of activity carried out within the framework of patent tax and/or turnover tax system;

(2) in case of the re-organisation of commercial organisations, the following peculiarities shall be taken into consideration:

a. in case of the re-organisation of an organisation through division, the sales turnover of all types of activities carried out by the organisation re-organised through division during the preceding tax year shall be considered to be the sales turnover of each of the newly-created organisation in respect of all types of activities carried out during the preceding tax year;

b. in case of the re-organisation of an organisation through separation, the sales turnover of all types of activities of the re-organised organisation carried out during the preceding tax year shall be considered to be the sales turnover of all types of activities carried out by both the organisation from which another organisation or organisations have been separated and each of the separated organisation or organisations during the preceding tax year;

c. in case of the re-organisation of an organisation through consolidation, the entirety of the sales turnovers of all types of activities carried out by the consolidated organisations during the preceding tax year shall be considered to be the sales turnover of all types of activities carried out by the newly-created organisation during the preceding tax year;

d. in case of the re-organisation of organisations through absorption, the entirety of the sales turnover of all types of activities carried out by the organisation, which has absorbed another organisation or organisations, during the preceding tax year and the sales turnovers of all types of activities carried out by the absorbed organisation or organisations during the preceding tax year shall be considered to be the sales turnover of all types of activities carried out by the given organisation during the preceding tax year.

3. The individual entrepreneur may be considered a family entrepreneurship entity if he or she carries out activity (including activity considered a patent taxable object) exclusively through his or her family members.

4. The commercial organisation may be considered a family entrepreneurship entity if the authorised or share capital of the commercial organisation entirely belongs to one or several family members and if the organisation carries out its activity exclusively through the persons and/or family members thereof, who participate in the authorised or share capital of the organisation (including as hired workers).

5. The following may not be considered family entrepreneurship entities:

(1) organisations and individual entrepreneurs engaged in commercial (purchase and sale) activity;

(2) according to Chapter 57 of the Code, the patent taxpayers, in respect of those types of activity;

(3) according to Article 83 of the Code, the excise taxpayers;

(4) banks, credit organisations, insurance companies, investment companies, professional participants in the securities market, pawnshops, persons engaged in currency exchange and currency exchange dealer/broker activities, investment funds, fund managers, payment and settlement organisations, persons engaged in organisation activities of casinos and games of chance or lotteries, and audit companies;

(5) organisations and individual entrepreneurs, who violated the operational rules of cash register machine for the third time during the tax year — from the day of recording the violation until the end of the tax year following the one including that day;

(6) according to part 1 of Article 30 of the Code, organisations and individual entrepreneurs considered as related, except for the cases when according to part 1 of Article 30 of the Code, the organisations and/or natural persons related thereto submitted to the tax authority a statement on terminating their activity and did not actually carry out activity after the day of submitting the statement, and in case of referring to another day of terminating the activity in the statement, after that day;

(7) according to part 2 of Article 30 of the Code, organisations and individual entrepreneurs considered as related, if during the preceding or current tax year the entirety of the sums total of the sales turnover of all types of activities and other incomes of the organisations and individual entrepreneurs declared as related upon the decision of the head of the tax authority exceeds AMD 18 million;

(8) organisations and individual entrepreneurs acting as a party to a contract on joint activity prescribed by Article 31 of the Code, as well as to a commission contract for supply of goods or an agency contract for supply of goods envisaging a condition of acting on behalf of the agent.

6. Commercial organisations and individual entrepreneurs shall be considered family entrepreneurship entities in respect of all the types of activities, except for those, which are deemed to be patent taxable objects.

**Article 268. Cessation of being considered a family entrepreneurship entity**

1. A family entrepreneurship entity shall cease to be considered as such, where:

(1) it has submitted to the tax authority a statement, making a note about being considered and record-registered as a VAT payer — from the day indicated in the statement (but not earlier than the 20<sup>th</sup> day preceding the day of submitting the statement) until the end of the tax year referred to in the statement or has submitted a statement in a form approved by the tax authority on being considered a turnover taxpayer, from the day of submitting that statement until the end of the given tax year;

(2) the sales turnover in respect of all types of activities during the current tax year exceeded AMD 18 million — from the moment of exceeding until the end of the given tax year;

- (3) one of the facts referred to in points 1, 3, 4, 6 or 8 of part 5 of Article 267 of the Code has occurred — from the day of the occurrence of that fact until the end of the given tax year;
- (4) the fact referred to in point 5 of part 5 of Article 267 of the Code has occurred — from the day of the occurrence of that fact until the end of the tax year following the one including that day;
- (5) the fact referred to in point 7 of part 5 of Article 267 of the Code has occurred — from the day of the occurrence of that fact until the end of the tax year including the day the judgment of the court on invalidating that decision entered into force;
- (6) the person, who has been involved in the family entrepreneurship (including as a hired worker) or whom the participation in the authorised or share capital has been alienated to, is not considered a family member according to parts 3 and 4 of Article 267 of the Code from the day of the occurrence of that fact until the end of the given tax year;
- (7) it has, pursuant to parts 3 and 4 of Article 267 of the Code, actually used the work of a person not considered a family member within the framework of the family entrepreneurship, from the day of the occurrence of the fact of failing to formulate the fact of recruiting that person as prescribed by the legislation until the end of the given tax year.

**Article 269. Calculation and payment of taxes and fees by the family entrepreneurship entities**

1. The family entrepreneurship entities shall be exempt from all the obligations of calculating and paying to the State Budget the state taxes originating in respect of the family entrepreneurship (including from the obligation to calculate, withhold and transfer the tax to the State Budget as a tax agent, as well as that of making advance



profit tax payments prescribed by Article 135 of the Code), except for the cases prescribed by part 2 of this Article.

2. The family entrepreneurship entities shall not be exempt from the following:

(1) the obligation of calculating and paying to the State Budget the taxes in respect of the goods imported into the Republic of Armenia (including from the EAEU member states) as prescribed by the Code;

(2) the obligation of calculating and paying to the hired workers involved in family entrepreneurship (including in the case when those hired workers are simultaneously involved in an activity considered a patent taxable object) a monthly income tax in the amount of AMD 5 000 per hired worker (including for an incomplete month) from the taxable incomes paid (calculated) by the tax agent in respect of the family entrepreneurship, which shall be considered a final tax liability in respect of those incomes;

(3) the obligation of calculating and paying the environmental and/or road tax to the State Budget as prescribed by the Code.

**Article 270. Submission of tax calculation reports by the family entrepreneurship entities**

1. The family entrepreneurship entities shall until 1 February (inclusive) of the tax year following the given tax year submit a report to the tax authority as prescribed by Article 53 of the Code on the sales turnover in respect of all types of activities during the preceding tax year.

2. The family entrepreneurship entities shall until the 20<sup>th</sup> day (inclusive) of the month following each reporting month submit to the tax authority, as prescribed by Article 53 of the Code, an income calculation prescribed by part 1 of Article 156 of the Code for the hired workers involved in the family entrepreneurship.

3. The family entrepreneurship entities shall be exempt from submitting other tax calculation reports prescribed by the Code, except for:

- (1) documents prescribed by part 1 of Article 77 of the Code;
- (2) unified calculation report of VAT and excise tax reflecting the VAT amount separated in the tax invoice, which has been issued in violation of any of the restrictions prescribed by Article 67 of the Code.

**Article 271. Payment of taxes and fees by the family entrepreneurship entities**

1. The monthly income tax, prescribed by point 2 of part 2 of Article 269 of the Code, in the amount of AMD 5 000 per hired worker from the taxable incomes paid (calculated) by the tax agent in respect of the family entrepreneurship, for the hired workers involved in family entrepreneurship, shall be calculated and paid to the State Budget until the 20<sup>th</sup> day (inclusive) of the month following that of payment (calculation) of incomes.

**Article 272. Shift from family entrepreneurship system to turnover tax or general tax system**

1. From the moment of ceasing to be considered a family entrepreneurship entity, the taxpayers shall:

- (1) in case of shifting to the turnover tax system, calculate and discharge the tax liabilities during the remaining period of the given tax year as prescribed by Chapter 55 of the Code (except for the cases of being considered a VAT payer during the tax year as prescribed by Article 59 of the Code) in respect of the tax bases formed from the moment of ceasing to be considered a family entrepreneurship entity;

(2) in case of shifting to general tax system, calculate and discharge the tax liabilities during the remaining period of the given tax year in respect of the tax bases formed after the moment of ceasing to be considered a family entrepreneurship entity as prescribed by the Code.

2. In case of shifting from the family entrepreneurship system to general tax system, the expenses for acquiring fixed assets and intangible assets shall, in the manner prescribed by the Code, be deducted from the gross income of the taxpayer before and/or during the period of being considered a family entrepreneurship entity. Within the meaning of this part, in case of shifting from the family entrepreneurship system to general tax system:

(1) the amortisation deductions calculated in the manner prescribed by Article 121 of the Code with regard to fixed assets and intangible assets in the family entrepreneurship system shall be taken into consideration for the purpose of determining the book value of fixed assets and intangible assets;

(2) the expenses for the amortisation deductions calculated as prescribed by Article 121 of the Code with regard to fixed assets and intangible assets shall be deducted from the gross income from the 1<sup>st</sup> day of the month following the one including the day of shifting from the family entrepreneurship system to general tax system;

(3) the administrative, sales and other expenses of non-productive nature, as well as financial expenses (in respect of the part, which, according to the same part, shall be deducted during the tax year it refers to) prescribed by part 7 of Article 121 of the Code, which refer to the month including the day of shifting from the family entrepreneurship system to general tax system, shall be deducted from the gross income in the amount corresponding to the proportion of the days — included in the period from the day of shifting from the turnover tax system to general tax system until the end of the month including that day — within all the days of the given month.

3. In case of shifting from the family entrepreneurship system to general tax system, the original costs of the assets not referred to in part 2 of this Article made before and/or during the period of being considered a family entrepreneurship entity shall be deducted from the gross income of the taxpayer as prescribed by the Code.

## **CHAPTER 57**

### ***PATENT TAX***

#### **Article 273. Patent tax**

1. Patent tax is a state tax substituting the VAT and/or the profit tax, paid to the State Budget in the manner, amount and within the time limits prescribed by the Code for carrying out the types of activities deemed taxable objects, prescribed by Article 276 of the Code.
2. For organisations, the patent tax shall substitute the VAT and/or the profit tax. The estimated value of profit tax within the patent tax shall be 40 percent, and the estimated value of VAT — 60 percent.
3. For individual entrepreneurs, the patent tax shall substitute the VAT.

#### **Article 274. Patent taxpayers**

1. Organisations and individual entrepreneurs carrying out the type(s) of activities deemed patent taxable objects prescribed by Article 276 of the Code shall be deemed patent taxpayers, taking into account the peculiarities prescribed by parts 2 and 3 of this Article.
2. Organisations or individual entrepreneurs shall be deemed patent taxpayers also in the cases when activities in the sector of public catering are carried out by other

persons, without registration (without state registration), as prescribed by law, of rights relating to immovable property with respect to that hall (those halls), except for the case of obtaining a patent for carrying out activities in the sector of public catering by other persons as prescribed by this Chapter of the Code. In case of carrying out activities in the sector of public catering in a public catering hall leased (having registered the rights relating to immovable property) as prescribed by law, organisations or individual entrepreneurs that are lessees of immovable property shall be deemed patent taxpayers.

3. Organisations and individual entrepreneurs, carrying out activities of purchase and sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets), deemed to be turnover taxpayers as prescribed by the Code, may be deemed patent taxpayers in case of submitting a statement on paying patent tax as prescribed by this Chapter.

4. Organisations and individual entrepreneurs carrying out activities deemed patent taxable objects shall be deemed patent taxpayers only with respect to the type of activity and reporting period of activity mentioned in the patent.

**Article 275. Submitting statements on paying patent tax and issuing of patent**

1. For the purpose of being deemed a patent taxpayer, organisations and individual entrepreneurs shall submit to the tax authority a statement on paying patent tax until the day preceding that of carrying out activities, irrespective of whether or not that day is a working or non-working day.

2. For the purpose of being deemed a patent taxpayer with respect to the given type of activity, organisations and individual entrepreneurs having a patent for the given type of activity shall submit a statement on paying patent tax to the tax authority until

the day preceding that of carrying on with the given type of activity after the reporting period provided for by the previous patent.

3. In case of addition, by the organisation or individual entrepreneur having obtained a patent with respect to the place for carrying out the given activities for a reporting period, of baseline data with respect to the place for carrying out the given activities, a new statement on paying patent tax shall be submitted to the tax authority until the day preceding that of adding baseline data inclusive, in the sum total of values of the baseline data submitted previously for the given reporting period and the baseline data being added.

4. In cases prescribed by parts 1 and 2 of this Article, with respect to the type(s) of activities mentioned in the statement and to the reporting period, a patent of the form prescribed by the tax authority shall be issued to the organisation or individual entrepreneur having submitted a statement on paying patent tax until the opening day of the reporting period mentioned in the statement on paying patent tax inclusive, where payment of patent tax calculated in the manner and amount prescribed by this Chapter has been made until the day preceding the opening day of the reporting period mentioned in the statement on paying patent tax inclusive, except for the case prescribed by part 7 of this Article.

In cases prescribed by this part, in case of the failure to issue a patent of the prescribed form until the opening day of the reporting period mentioned in the statement on paying patent tax inclusive, the patent shall be deemed issued, where the organisation or individual entrepreneur has made patent tax payment calculated in the manner and amount prescribed by this Chapter until the day preceding the opening day of the reporting period mentioned in the statement on paying patent tax inclusive, except for the case prescribed by part 7 of this Article.

5. In cases prescribed by part 3 of this Article, a new patent shall be issued to the organisation or individual entrepreneur until the opening day of the reporting period

mentioned in the new statement inclusive, where payment of patent tax calculated in the manner and amount prescribed by this Chapter with respect to the added baseline data has been made until the day preceding the opening day of the reporting period mentioned in the new statement inclusive, except for the case prescribed by part 7 of this Article. In cases prescribed by this part, a new patent shall be issued for the reporting month including the period from the month including the date of adding the baseline data until the end of the reporting period mentioned in the previously issued patent, in the sum total of the baseline data mentioned in the previous patent and the baseline data being added.

In cases prescribed by this part, in case of the failure to issue a patent of the prescribed form until the opening day of the reporting period mentioned in the new statement inclusive, the patent shall be deemed issued, where payment of patent tax calculated in the manner and amount prescribed by this Chapter has been made until the day preceding the opening day of the reporting period mentioned in the new statement inclusive, except for the case prescribed by part 7 of this Article.

6. The tax authority shall issue the patent in hard copy or electronically.

7. Pursuant to the Law of the Republic of Armenia “On tax exemption for activities carried out in border communities”, the patent with respect to the types of activities exempted from patent tax shall be issued as prescribed by this Article — without paying patent tax.

8. One patent shall be issued to each organisation or individual entrepreneur with respect to each type of activity carried out in the place for carrying out each activity, for each reporting period.

9. The form of and the procedure for filling out the statement on paying patent tax shall be prescribed by the tax authority.

## **Article 276. Patent taxable object**

1. Except for cases prescribed by part 3 of this Article, the following types of activities carried out in the Republic of Armenia shall be deemed patent taxable objects:

- (1) activities carried out in the sector of public catering;
- (2) passenger transportation by a light passenger vehicle;
- (3) passenger transportation by a bus and/or minivan;
- (4) activities of providing hairdresser services;
- (5) activities of vehicle maintenance stations (centres);
- (6) activities of parking services;
- (7) organisation of the game of billiards;
- (8) organisation of the game of table tennis;
- (9) organisation of food trade through machines exploited by coin and/or banknote, as well as of games (except for games of chance and activities of casinos) through machines exploited by coins;
- (10) dentistry activities;
- (11) dental technology activities;
- (12) organisation of betting;
- (13) organisation of internet betting;
- (14) activities of purchase and sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets).

2. Within the meaning of this Chapter:



(1) organising the consumption of culinary products shall be deemed activities carried out in the sector of public catering. Those activities shall also include services directly relating to organising the consumption of culinary products, in particular — service, entry permission;

(2) passenger transportation by a light passenger-taxi motor vehicle, including passenger transportation carried out based on an advance order, as well as on a relevant advance order contract, shall be deemed passenger transportation by a light passenger vehicle. A motor vehicle, the number of seats whereof, except for the driver's seat, does not exceed eight, shall be deemed a light passenger vehicle;

(3) passenger transportation carried out by vehicles deemed a bus or minivan, including passenger transportation carried out based on an advance order, as well as on a relevant advance order contract, exceptionally in the territory of the Republic of Armenia, shall be deemed passenger transportation by a bus and/or minivan. The motor vehicle, the number of seats whereof, except for the driver's seat, does not exceed eighteen, shall be deemed a bus. The motor vehicle having from nine to seventeen seats (excluding the driver's seat) shall be deemed a minivan;

(4) provision of hairdresser services in hair salons (beauty salons) shall be deemed activities of provision of hairdresser services. The permanent or temporary construction separated for a work space(s) for hairdresser service, make-up, face massage, manicure and/or another similar service shall be deemed a hair salon (beauty salon);

(5) maintenance service of vehicles through vehicle maintenance stations (centres) shall be deemed activities of vehicle maintenance stations (centres). The permanent or temporary construction separated for a work space(s) adjusted for maintenance service of vehicles shall be deemed a vehicle maintenance station (centre). Maintenance service and repair of mechanical and electrical equipment, the body, injection system, engine of motor vehicles, car wash (including through machines

exploited through coins), polish, painting or dust disperse, repair of windows and windshields, seats, repair, installation, replacement, anticorrosion treatment of tires and inner tubes, installation of parts and accessories of vehicles, where it is not a stage of the production process, shall be deemed maintenance service of vehicles;

(6) ensuring (organising) temporary parking of a vehicle against a compensation shall be deemed activities of parking services. The territory separated for temporary parking of vehicles shall be deemed a parking;

(7) activities of organising the game of billiards for entertainment shall be deemed activities of organising the game of billiards;

(8) activities of organising the game of table tennis for entertainment shall be deemed activities of organising the game of table tennis;

(9) organising the sale of ready food (coffee, carbonated drinks and other food products) through machines exploited by coin and/or banknote shall be deemed activities of organising food trade through machines exploited by coin and/or banknote;

(10) activities of organising games through machines exploited by coin in entertainment, recreational and other places shall be deemed activities of organising games through machines exploited by coin;

(11) activities of therapeutic, surgical, orthopaedic, X-ray medical aid and services carried out by dental clinics, centres or cabinets, shall be deemed dentistry;

(12) making of dental appliances shall be deemed dental technology;

(13) organising of betting and internet betting prescribed by the Law of the Republic of Armenia "On lotteries" shall be deemed activities of organising betting and internet betting.

3. The following shall not be deemed a patent taxable object:

(1) public food catering activities carried out in general education, primary vocational (handicraft), secondary vocational and higher education institutions;

(2) activities carried out in the sector of public catering, where the area of the catering hall(s) of the given place (public catering facility) for carrying out those activities exceeds 100m<sup>2</sup>. Within the meaning of this point, in case of exceeding the threshold of 100m<sup>2</sup> of the catering hall area during the tax year, activities carried out in the sector of public catering shall cease to be patent taxable objects from the moment of exceeding the threshold until the end of the tax year, not taking into account the changes of the area of the public catering hall in the place for carrying out those activities until the end of the tax year;

(3) passenger transportation by buses or minivans carried out by routes starting in the territory of the Republic of Armenia and not ending in the territory of the Republic of Armenia or starting outside the territory of the Republic of Armenia and ending in the territory of the Republic of Armenia;

(4) activities carried out in the sector of public catering without a catering hall. Patent taxpayers carrying out preparation of culinary products and carrying out the organising of the consumption of a part of prepared culinary products (through a relevant catering hall) shall be patent taxpayers with respect to the organising of culinary products, and the general tax system or another special tax system prescribed by the Code shall be applied with respect to the products alienated without the organising of the consumption;

(5) types of activities in entities of hotel industry complying with the standards set by the authorised body of the Government of the Republic of Armenia in the sector of tourism, prescribed by points 1, 4, 6, 7 and 8 of part 1 of this Article, irrespective of the scope of persons availing themselves of the services while carrying out those types of activities;

(6) exclusively for own intra-production (in-house) passenger transportation by a light passenger vehicle, a bus, or a minivan;

- (7) activities of those parking spaces, where systems registering the entrance and exit of motor vehicles are installed;
  - (8) parking activities organised in the territories deemed the ownership of the community upon the decision of the community council;
  - (9) activities of organising interactive gaming through data communication and/or short message services provided through the application of terrestrial mobile communications network;
  - (10) activities of vehicle maintenance stations (centres), where those activities are organised through five or more work spaces. Within the meaning of this point, in case of exceeding the threshold of work spaces during the tax year, activities of vehicle maintenance stations (centres) shall cease to be patent taxable objects from the moment of exceeding the threshold until the end of the tax year, not taking into account the changes of the number of work spaces in the place for carrying out those activities until the end of the tax year;
  - (11) activities of purchase and sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets), where they are carried out by organisations or individual entrepreneurs deemed VAT payers as prescribed by the Code.
4. With respect to the types of activities not deemed patent taxable objects prescribed by part 3 of this Article, the general tax system or another special tax system prescribed by the Code shall be applied.

#### **Article 277. Monthly rates of patent tax**

1. Patent taxpayers shall calculate the patent tax at the following monthly rates, taking into account the peculiarities prescribed by parts 2 and 3 of this Article:

Type of activities	Baseline data	Monthly rate of patent tax per one unit, by settlements				
		in the city of Yerevan	in marz centres	in other cities	in border villages	in other areas
Activities carried out in the sector of public catering	territory, up to 20m <sup>2</sup> inclusive	AMD 30 000	AMD 21 000	AMD 21 000	AMD 5 250	AMD 10 500
	territory, 20- 50m <sup>2</sup> inclusive	AMD 30 000, plus AMD 15 000 per each up to 10m <sup>2</sup> exceeding 20m <sup>2</sup>	AMD 21 000, plus AMD 10 500 per each up to 10m <sup>2</sup> exceeding 20m <sup>2</sup>	AMD 21 000, plus AMD 10 500 per each up to 10m <sup>2</sup> exceeding 20m <sup>2</sup>	AMD 5 250, plus AMD 2 625 per each up to 10m <sup>2</sup> exceeding 20m <sup>2</sup>	AMD 10 500, plus AMD 5 250 per each up to 10m <sup>2</sup> exceeding 20m <sup>2</sup>
	territory, more than 50m <sup>2</sup> , up to 100m <sup>2</sup> inclusive	AMD 75 000, plus AMD 21 000 per each up to 10m <sup>2</sup> exceeding 50m <sup>2</sup>	AMD 52 500, plus AMD 15 000 per each up to 10m <sup>2</sup> exceeding 50m <sup>2</sup>	AMD 52 500, plus AMD 15 000 per each up to 10m <sup>2</sup> exceeding 50m <sup>2</sup>	AMD 13 125, plus AMD 7 500 per each up to 10m <sup>2</sup> exceeding 50m <sup>2</sup>	AMD 52 500, plus AMD 15 000 per each up to 10m <sup>2</sup> exceeding 50m <sup>2</sup>
Passenger transportation by a light passenger vehicle	number of vehicles	AMD 9 500	AMD 5 600	AMD 5 600	AMD 1 400	AMD 2 800
Passenger transportation by a bus	number of buses	AMD 2 400	AMD 2 000	AMD 2 000	AMD 1 000	AMD 1 500

Passenger transportation by a minivan	number of minivans	AMD 3 000	AMD 2 400	AMD 2 400	AMD 1 300	AMD 1 900
Activities of providing hairdresser services	number of work spaces	AMD 15 000	AMD 12 000	AMD 9 000	AMD 2 250	AMD 4 500
Activities of vehicle maintenance stations (centres)	Number of work spaces	AMD 15 000	AMD 12 000	AMD 12 000	AMD 3 000	AMD 6 000
Activities of parking services	territory, m <sup>2</sup>	AMD 600	AMD 120	AMD 120	AMD 30	AMD 60
Organising the game of billiards	number of gaming tables	AMD 40 000	AMD 20 000	AMD 20 000	AMD 5 000	AMD 10 000
Organising the game of table tennis	number of gaming tables	AMD 10 000	AMD 7 000	AMD 6 000	AMD 1 000	AMD 5 000
Organising trade of food through machines exploited by coin and/or banknote	number of machines	AMD 5 000	AMD 4 000	AMD 3 000	AMD 1 000	AMD 2 000
Organising games through machines exploited by coin	number of machines	AMD 5 000	AMD 4 000	AMD 3 000	AMD 1 000	AMD 2 000
Dentistry activities	chair(s), up to three inclusive	AMD 80 000 per each chair	AMD 57 000 per each chair	AMD 57 000 per each chair	AMD 14 000 per each chair	AMD 28 500 per each chair
	chairs, exceeding three	AMD 240 000, plus AMD 48 000 per each chair exceeding three chairs	AMD 171 000, plus AMD 34 000 per each chair exceeding three chairs	AMD 171 000, plus AMD 34 000 per each chair exceeding three chairs	AMD 42 000, plus AMD 8 400 per each chair exceeding three chairs	AMD 85 500, plus AMD 17 000 per each chair exceeding three chairs

Dental technology activities	work space(s), up to three inclusive	AMD 80 000 per each work space	AMD 57 000 per each work space	AMD 57 000 per each work space	AMD 14 000 per each work space	AMD 28 500 per each work space
	work spaces, exceeding three	AMD 240 000, plus AMD 48 000 per each work space exceeding three work spaces	AMD 171 000, plus AMD 34 000 per each work space exceeding three work spaces	AMD 171 000, plus AMD 34 000 per each work space exceeding three work spaces	AMD 42 000, plus AMD 8 400 per each work space exceeding three work spaces	AMD 85 500, plus AMD 17 000 per each work space exceeding three work spaces
Activities of organising betting	number of computers	AMD 75 000				
Activities of organising internet betting	number of websites	AMD 1 000 000				
Activities of organising internet betting directly (in a gambling hall)	number of computers	AMD 75 000				
Activities of purchase and sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets)	stall or point of sale of up to 0.5m <sup>2</sup> inclusive	AMD 35 000, plus AMD 7 000 per each up to 0.1m <sup>2</sup> exceeding 0.5m <sup>2</sup>	AMD 25 000, plus AMD 5 000 per each up to 0.1m <sup>2</sup> exceeding 0.5m <sup>2</sup>	AMD 20 000, plus AMD 4 000 per each up to 0.1m <sup>2</sup> exceeding 0.5m <sup>2</sup>	AMD 0	AMD 15 000, plus AMD 3 000 per each up to 0.1m <sup>2</sup> exceeding 0.5m <sup>2</sup>

2. In case of carrying out passenger transportation by the same light passenger vehicle, bus or minivan in different settlements or between different settlements in the same reporting period, the maximum of the monthly rates of patent tax prescribed for the given settlements by part 1 of this Article shall be applied for the calculation of patent tax.

3. In case individual entrepreneurs, their spouses, parents, children, brothers, sisters, registered (record-registered) at the same address of residence, carry out passenger transportation by the same light passenger vehicle, only one patent in the name of the individual entrepreneur may be obtained. Moreover, in this case, the monthly rate of patent tax shall be prescribed AMD 1 000 for each driver added to the monthly rate prescribed by part 1 of this Article.

#### **Article 278.       Baseline data of patent tax**

1. The following baseline data shall be taken as a basis for the calculation of patent tax:

(1) for activities carried out in the sector of public catering — the public catering hall area expressed in square metres, which includes the territory intended for organising sales and consumption of culinary products. The total area for carrying out public catering activities, expressed in square metres, shall be deemed a public catering hall in the open-air;

(2) for carrying out passenger transportation by a light passenger vehicle — the number of vehicles;

(3) for carrying out passenger transportation by a bus or minivan — the number of buses or minivans, respectively. Moreover, where the number of minivans or buses with regard whereto a statement on patent tax payment has been submitted in advance in a prescribed manner, is less than the number of minivans or buses (without a reserve vehicle) necessary for the service of the given route for carrying out



passenger transportation, the baseline data for the given reporting period shall be determined by the number of minivans or buses (including reserve vehicles) necessary for the service of the given route;

(4) for activities of providing hairdresser services — the number of work spaces for providing hairdresser service. Each space intended for hairdresser service, make-up, face massage, manicure and/or another similar service shall be deemed work space for providing hairdresser services. In case where one person combines various work spaces for providing hairdresser service, concurrent work spaces shall be deemed one work space, whereas in case where there are similar (identical) work spaces, those work spaces shall be considered as separate work spaces;

(5) for activities of vehicle maintenance stations (centres) — the number of work spaces for maintenance service of vehicles. The territory equipped with special equipment for ensuring one complete process of types of maintenance service of vehicles (including for car wash through machines exploited by coin and/or banknote) shall be deemed a work space for maintenance service of vehicles. In case where one person combines various work spaces for maintenance service of vehicles, concurrent work spaces shall be deemed one work space, whereas in case where there are similar (identical) work spaces, those work spaces shall be considered as separate work spaces;

(6) for parking activities — the total territory separated for temporary parking of motor vehicles, expressed in square metres;

(7) for activities of organising the game of billiards — the number of gaming tables;

(8) for activities of organising the game of table tennis — the number of gaming tables;

(9) for activities of organising food trade through machines exploited by coin and/or banknote — the number of machines exploited by coin;

(10) for activities of organising games through machines exploited by coin — the number of slot machines;

(11) for dentistry activities — the number of chairs intended for the provision of dental services. Moreover, X-ray services provided during the provision of dental services shall be deemed provision of a separate service, where that service is provided by the same taxpayer, without the provision of other dental services;

(12) for dental technology activities — the number of work spaces for providing dental technology services. During the provision of dental technology services, the entirety of work spaces of a dental technician and up to two assistant (technical) workers performing works of making of cast models, welding, polymerisation, polishing, moulding shall be deemed one work space;

(13) for organisation of betting — the number of computers intended for accepting bets by the organiser of betting;

(14) for internet betting — the number of websites designed for organising internet betting. The number of computers intended for organising internet betting in a gambling hall shall be deemed baseline data for organising betting directly (in a gambling hall);

(15) for activities of purchase and sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets) — the area of the stall or point of sale used for the exposition and/or sale of precious metals, items made from precious metals or precious stones, expressed in square metres.

2. In case of bus malfunction while carrying out regular passenger transportation as prescribed by law, the organisation or individual entrepreneur deemed a patent taxpayer may substitute it during that reporting period with a bus having the same or less number of seats, informing the tax authority about it in advance as prescribed by the Government of the Republic of Armenia. The provisions of this part shall not apply

to the transportation of passengers in the city of Yerevan and routes connected with the city of Yerevan.

3. In case of activities being carried out in the sector of public catering through more than one such halls (facilities) in one place for carrying out activities, for which different coefficients for calculating patent tax are prescribed by points 1 and 3 of part 2 of Article 279 of the Code, for the calculation of the patent tax for the reporting period, those halls (facilities) for carrying out activities shall be filled out in the statement on paying patent tax as different places for carrying out activities, with respective baseline data.

4. The tax authority shall, as prescribed by the Government of the Republic of Armenia, keep records of computers intended for organising betting, as well as internet betting directly (in a gambling hall).

5. The baseline data submitted with respect to the given type of activity for a reporting period may not be deducted, except for where the baseline data is deducted prior to and including the day preceding the opening day of the reporting period mentioned in the statement submitted on paying patent tax for the given reporting period.

#### **Article 279. Coefficients for calculation of patent tax**

1. For the purpose of calculation of patent tax, the coefficient for calculation of patent tax for a reporting period including only one reporting month shall be prescribed 1.0. The coefficient for calculation of patent tax for a reporting period including more than one reporting month shall be determined by deducting the 1.0 coefficient prescribed for one reporting month in the amount of the product of the number of reporting months included in the reporting period, and 0.02.

2. The following additional coefficients shall be applied for the calculation of patent tax:

(1) 0.5 for activities carried out in the sector of public catering for intra-production or in-house purposes;

(2) 0.8 for public catering activities organised exclusively through open-air areas, in the rest of the months except for June, July, August and September;

(3) 5 for public catering places (facilities) having striptease and other similar shows;

(4) for the provision of hairdresser services in the city of Yerevan, as well as for public catering facilities (except for facilities having a catering hall area of up to 50m<sup>2</sup>), vehicle maintenance stations (centres), parking spaces, the game of billiards, the game of table tennis, trade through machines exploited by coin and/or banknote, as well as for organising games through machines exploited by coin and/or banknote:

a. 1.4 for the first and second zones;

b. 1.05 for the other zones;

(5) for carrying out dentistry and dental technology activities in the city of Yerevan:

a. 1.0 for the first and second zones;

b. 0.75 for the other zones;

(6) 2.5 for activities of fairs, vernissages, markets, Yerevan stations (parking lots), metro stations or parking spaces located on territories immediately adjacent thereto;

(7) 0.5 for activities of parking operating exclusively at night time (from 21:00 to 09:00);

(8) passenger transportation coefficient for passenger transportation carried out by buses and/or minivans, which shall be determined by the sum total of the number of seats of buses and/or minivans intended for carrying out passenger transportation by

a bus or minivan during the given reporting period. The passenger transportation coefficient may not be deducted during the reporting period.

3. Distribution of the city of Yerevan by territorial zones shall be prescribed by the Government of the Republic of Armenia.

#### **Article 280. Patent tax base**

1. The product of the number of months included in the reporting period, the value of the baseline data prescribed by Article 278 of the Code, the coefficients prescribed by Article 279 of the Code for the given type of activity shall be deemed patent tax base, except for the types of activities carried out in the sector of public catering, dentistry and dental technology activities, as well as purchase and sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets).

2. With respect to the types of activities carried out in the sector of public catering, dentistry and dental technology activities, as well as purchase and sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets), the product of the number of months included in the reporting period and the coefficient(s) prescribed by Article 279 of the Code shall be deemed patent tax base.

3. In case of addition — during the reporting period — of the baseline data mentioned in the patent obtained for a reporting period, for the purpose of calculation of patent tax, the product of the value of the added baseline data, the number of months included in the period from the month including the date of addition of the baseline data until the end of the validity period of the patent obtained before the addition of the baseline data, and the coefficient(s) prescribed by Article 279 of the Code shall be deemed patent tax base, except for the types of activities carried out in the sector of public catering, dentistry and dental technology activities, as well as

purchase and sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets). In the case prescribed by this part, with respect to the types of activities carried out in the sector of public catering, dentistry and dental technology activities, as well as purchase and sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets), the product of the number of months included in the period from the month including the date of addition of the baseline data until the end of the validity period of the patent obtained before the addition of the baseline data and the coefficient(s) prescribed by Article 279 of the Code shall be deemed tax base.

4. Patent tax base shall be determined for each type of activity carried out in each place and for each period separately.

#### **Article 281.        Reporting period**

1. Any month included in the tax year shall be deemed a reporting period of patent tax, except for the case prescribed by part 2 of this Article.

2. The period including one and more consecutive months included in the tax year mentioned in the statement on paying patent tax submitted by organisations and individual entrepreneurs shall be deemed a reporting period of patent tax.

3. In the reporting period of patent tax, reporting months including the opening day of carrying out activities and/or the last day of carrying out activities shall be deemed full months.

4. In case of addition — during the reporting period — of the baseline data mentioned in the patent obtained for a reporting period, the period from the month including the date of addition of the baseline data until the end of the validity period of

the patent obtained before the addition of the baseline data shall be deemed a reporting period of patent tax.

**Article 282. Procedure for the calculation of patent tax**

1. Patent tax shall be calculated for each type of activity carried out in each place for carrying out activities and for each period for carrying out activities separately.
2. With respect to each type of activity carried out in each place for carrying out activities (except for the types of activities carried out in the sector of public catering, dentistry and dental technology activities, as well as purchase and sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets)), patent tax shall be calculated by the product of the patent tax base for the given type of activity carried out in the given place calculated as prescribed by part 1 of Article 280 of the Code and the monthly rate of patent tax prescribed by Article 277 of the Code, in monetary terms.
3. With respect to the types of activities carried out in each place in the sector of public catering, dentistry and dental technology activities, as well as purchase and sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets), patent tax shall be calculated by the product of the tax base prescribed by part 2 of Article 280 of the Code and the monthly rate of patent tax prescribed by Article 277 of the Code corresponding to the given baseline data, in monetary terms.
4. In case of addition — during the reporting period — of the baseline data mentioned in the patent obtained for a reporting period, patent tax shall be calculated by the product of the tax base prescribed for the case of addition of baseline data by part 3 of Article 280 of the Code and the patent tax rate prescribed by Article 277 of the Code, in monetary terms, except for the types of activities carried out in the sector of public catering, dentistry and dental technology activities, as well as purchase and

sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets).

5. In the case prescribed by part 4 of this Article, patent tax with respect to the types of activities carried out in each place in the sector of public catering, dentistry and dental technology activities, as well as purchase and sale of precious metals, items made from precious metals or precious stones through stalls or points of sale in trading venues (gold markets) shall be calculated by the following formula:

$$PT = TB \times TR - NIM \times PTA / NMIRP$$

where:

PT stands for patent tax;

TB stands for the tax base calculated as prescribed by part 3 of Article 280 of the Code;

TR stands for the patent tax rate corresponding to the general (including the added baseline data) baseline data;

NIM stands for the number of months included in the period from the month including the date of addition of the baseline data until the end of the validity period of the patent obtained before the addition of the baseline data;

PTA stands for the patent tax amount paid on the basis of the valid patent obtained before the addition of the baseline data;

NMIRP stands for the number of months included in the reporting period mentioned in the valid patent obtained before the addition of the baseline data.

### **Article 283. Payment of patent tax amount**

1. Organisations or individual entrepreneurs shall pay the patent tax to the State Budget prior to and including the day preceding the opening day of the reporting



period mentioned in the statement on paying patent tax, submitted in compliance with Article 275 of the Code.

2. Patent tax calculated as prescribed by Article 282 of the Code shall be paid prior to and including the day preceding the opening day of the reporting period mentioned in the new statement on paying patent tax for the added baseline data.

3. In case of terminating or temporarily suspending activities or terminating activities deemed patent taxable objects (including in cases prescribed by points 2 and 10 of part 3 of Article 276 of the Code) during the given reporting period of being deemed a patent taxpayer, patent tax for the given reporting period calculated and paid in the manner and amount prescribed by this Chapter shall not be offset and shall not be refunded.

#### **Article 284. Payment of other taxes and fees by patent taxpayers**

1. The procedure for the calculation and payment of other taxes (which are not substituted by patent tax) and fees shall be maintained for a patent taxpayer in the cases and manner prescribed by the Code, except for cases prescribed by part 2 of this Article.

2. With respect to relations regulated by this Chapter, patent taxpayers shall be exempt from:

- (1) making advance profit tax payments prescribed by Article 135 of the Code;
- (2) performing obligations prescribed for the tax agent by part 13 of Article 150 of the Code.

## **PART 3**

### **TAX ADMINISTRATION PART**

#### **SECTION 14**

#### **RECORD-REGISTRATION OF TAXPAYERS**

#### **CHAPTER 58**

#### ***SYSTEM OF RECORD-REGISTRATION OF TAXPAYERS***

##### **Article 285. Record-registration of taxpayers with the tax authority**

1. For the purpose of carrying out tax administration by tax authorities, the tax authority shall conduct record-registration of organisations and natural persons.
2. For the purpose of carrying out tax administration, by record-registration bodies, with respect to immovable property tax and vehicle property tax as prescribed by Sections 11 and 12 of the Code, record-registration of taxpayers shall be conducted as prescribed by the Government of the Republic of Armenia.

##### **Article 286. System of record-registration of taxpayers**

1. A unified system of record-registration of taxpayers shall function in the tax authority.
2. Record-registration of taxpayers shall be conducted through the taxpayer identification number.
3. Record-registration of VAT payers shall be conducted in compliance with the requirements prescribed by Chapter 59 of the Code.

4. Record-registration data of taxpayers shall be entered into the unified electronic register maintained in the tax authority.

**Article 287. Taxpayer identification number**

1. A taxpayer identification number (hereinafter referred to as “TIN”), which shall be the identifying code thereof, shall be issued to the taxpayer record-registered with the tax authority.

2. The TIN shall be unique and shall not be subject to change. The TIN may not be provided to another taxpayer.

3. The TIN issued to a natural person shall remain unchanged in case of being record-registered as an individual entrepreneur or a notary. In case of repeat record-registration as an individual entrepreneur or re-appointment as a notary after removing the individual entrepreneur from state record-registration or terminating the activities of a notary, the previous TIN shall be issued thereto, which shall not change also when, after the termination of activities of an individual entrepreneur or a notary, the taxpayer submits tax calculation reports to the tax authority as a natural person not deemed an individual entrepreneur and a notary.

4. The TIN shall consist of an eight-digit number. The first seven digits of the TIN shall be the serial number, the eighth digit shall be for check and shall be calculated on the basis of the previous seven digits. The formula for the calculation of the check digit of the TIN shall be prescribed by the tax authority.

5. Bank accounts for organisations, individual entrepreneurs and notaries shall be opened by the banks operating in the territory of the Republic of Armenia only in case of availability of a TIN. The procedure for providing information to the tax authority concerning opening of bank accounts for organisations, individual entrepreneurs and notaries by the banks operating in the territory of the Republic of Armenia shall be

prescribed by the Central Bank of the Republic of Armenia and the tax authority, by a joint order.

**Article 288. Placing on record-registration with the tax authority**

1. Organisations obtaining state registration (record-registration) with the Agency for State Register, and individual entrepreneurs obtaining state record-registration shall obtain the TIN through the Agency for State Register.
2. Organisations obtaining state registration (record-registration) by the Central Bank of the Republic of Armenia shall obtain the TIN through the Central Bank of the Republic of Armenia, as prescribed by the joint order of the Central Bank of the Republic of Armenia and the tax authority.
3. For obtaining a TIN, notaries, natural persons not deemed individual entrepreneurs, diplomatic representations and consular offices accredited in the Republic of Armenia, international organisations equivalent thereto, permanent establishments (except for branches and representations of non-resident organisations, which are record-registered with the Agency for State Register) shall apply to the tax authority. The procedure for placing on record-registration with the tax authority of taxpayers mentioned in this part shall be prescribed by the Government of the Republic of Armenia.
4. An organisation newly registered with the Agency for State Register shall be record-registered with the tax authority servicing the address of the place of state registration (in cases prescribed by law — of state record-registration) thereof.
5. An individual entrepreneur newly record-registered with the Agency for State Register shall be record-registered with the tax authority servicing the address of residence or record-registration thereof.

6. A notary shall be record-registered with the tax authority servicing the notarial territory thereof. In case of mismatch between the notarial territory and service territories of the tax authority, the notary shall be record-registered with the tax authority servicing the address of carrying out activities thereof.

7. A natural person not deemed an individual entrepreneur and a notary shall be record-registered with the tax authority servicing the address of residence or record-registration thereof.

8. Diplomatic representations and consular offices accredited in the Republic of Armenia, international organisations equivalent thereto shall be record-registered with the tax authority servicing the territory of location of their permanent representation (in particular — seat, office).

9. Where activities carried out by a non-resident organisation or a non-resident natural person in the Republic of Armenia are characterised by the features of a permanent establishment prescribed by Article 27 of the Code, the permanent establishment of the given non-resident organisation or non-resident natural person (except for branches and representations of non-resident organisations, which are record-registered with the Agency for State Register) shall be record-registered with the tax authority servicing one of the addresses of places of activities in the Republic of Armenia, prescribed by Article 27 of the Code. Where activities carried out by a non-resident organisation or a non-resident natural person in the Republic of Armenia are not yet characterised by the features of a permanent establishment prescribed by Article 27 of the Code, the permanent establishment of the given non-resident organisation or non-resident natural person (except for branches and representations of non-resident organisations, which are record-registered with the Agency for State Register) may be record-registered with the tax authority servicing one of the addresses of places of activities in the Republic of Armenia, prescribed by Article 27 of the Code.

10. A taxpayer shall be deemed record-registered with the tax authority from the moment of making a relevant entry in the unified state electronic register.

**Article 289. Documents necessary for being record-registered with the tax authority**

1. Documents and information on state registration (record-registration) of organisations and individual entrepreneurs shall be submitted by the Agency for State Register to the tax authority as prescribed by the Government of the Republic of Armenia.

2. Documents and information on state registration (record-registration) of organisations registered with the Central Bank of the Republic of Armenia shall be submitted by the Central Bank of the Republic of Armenia to the tax authority, as prescribed by the joint order of the Central Bank of the Republic of Armenia and the tax authority.

3. For being placed on record-registration with the tax authority, notaries shall submit the following documents:

- (1) application on issuance of a TIN, filled out in the form and manner approved by the tax authority;
- (2) carbon copy of the order or decision on being appointed to the position of a notary;
- (3) carbon copy of the passport or identification card;
- (4) public services number, and in case of absence thereof — the carbon copy of the statement of information provided by the authorised body on the absence of a public services number.

4. For being placed on record-registration with the tax authority, natural persons not deemed individual entrepreneurs and notaries, shall submit the following documents:

- (1) application on issuance of a TIN, filled out by a natural person in the form and manner approved by the tax authority;
- (2) carbon copy of the passport or identification card;
- (3) public services number, and in case of absence thereof — the carbon copy of the statement of information provided by the authorised body on the absence of a public services number.

In cases prescribed by the Code, in case of emergence of liability for natural persons not deemed an individual entrepreneur and notary to calculate and pay tax in the manner and amount prescribed by the Code, record-registration of natural persons not deemed an individual entrepreneur and notary shall be conducted by the tax authority, irrespective of submission of documents prescribed by this part.

5. For being placed on record-registration with the tax authority, diplomatic representations and consular offices accredited in the Republic of Armenia, international organisations equivalent thereto shall submit the following documents:

- (1) application on issuance of a TIN, filled out by an authorised official in the form and manner approved by the tax authority;
- (2) carbon copy of the document confirming the status.

6. In cases prescribed by part 9 of Article 288 of the Code:

- (1) to be placed on record-registration with the tax authority, a non-resident organisation shall submit the following documents:
  - a. application on issuance of a TIN, filled out by an authorised official in the form and manner approved by the tax authority;

b. carbon copy of the founding document certifying the registration in the country of residence;

(2) to be placed on record-registration with the tax authority, a non-resident natural person shall submit the following documents:

a. application on issuance of a TIN, filled out by a natural person in the form and manner approved by the tax authority;

b. carbon copy of the passport.

**Article 290. Formulation and suspension of record-registration with the tax authority**

1. The processing of the application, submitted by the taxpayers mentioned in parts 3-6 of Article 289 of the Code, on being placed on record-registration may be suspended in case one of the following grounds exists:

(1) where the submitted documents are not complete, are filled out incompletely or with violations or are not in compliance with the list of documents prescribed by Article 289 of the Code;

(2) the submitted documents contain inaccuracies or include incorrect data on the taxpayer.

2. The taxpayer shall be informed in writing about the suspension — on the grounds referred to in part 1 of this Article — of the processing of the application submitted by the taxpayer on being placed on record-registration by the end of the next working day after receiving the application, mentioning the ground for suspension. After the elimination of the grounds for suspension of the processing of the application, the tax authority shall record-register the taxpayer in the manner and within the time limit prescribed by part 4 of this Article.



3. After informing the applicant about the grounds for suspension of the processing of the application of the taxpayer on being placed on record-registration, the time limit prescribed by part 4 of this Article shall be suspended until the elimination of the grounds for suspension of the application.
4. In case of failure to identify grounds for suspension, the information shall be registered in the unified register and the applicant shall be issued a TIN and the taxpayer registration certificate within one working day after the receipt of the documents.
5. The forms of the application on being placed on record-registration and of the taxpayer registration certificate shall be prescribed by the tax authority.

**Article 291.           Placing on record-registration with the tax authority electronically**

1. For being placed on record-registration with the tax authority, the taxpayers mentioned in part 3 of Article 288 of the Code may also submit the documents prescribed by parts 3-6 of Article 289 of the Code electronically.
2. In case of failure to identify inaccuracies or grounds for rejection during the automatic verification of the data submitted for being placed on record-registration with the tax authority, the submitted information shall be entered into the unified register by the information system of the tax authority.
3. After the end of the entry, the information system shall issue a TIN to the applicant and send the electronic version of the taxpayer registration certificate — within one working day — to the electronic mail address provided by the taxpayer.

## CHAPTER 59

### ***RECORD-REGISTRATION OF VALUE ADDED TAXPAYERS***

#### **Article 292. Peculiarities of record-registration of a value added taxpayer**

1. Record-registration of VAT payers with the tax authority shall be conducted on the basis of VAT identification numbers.
2. VAT identification number shall be the TIN, at the end whereof a slash and the digit “1” are added.
3. The tax authority shall post the list of persons record-registered as VAT payers on the official website of the tax service, with a search option.

#### **Article 293. Placing on record-registration of a value added taxpayer**

1. In cases prescribed by points 1 and 2 of part 1, as well as by points 1 and 3 of part 2 of Article 59 of the Code, in compliance with Article 292 of the Code, record-registration as a VAT payer shall be conducted by the tax authority, on the day prescribed by the points mentioned in this part.
2. In cases prescribed by points 3-5 of part 1, as well as by point 2 of part 2 of Article 59 of the Code, in compliance with Article 292 of the Code, record-registration as a VAT payer shall be conducted on the basis of a statement submitted by the taxpayer, on the day prescribed by the points mentioned in this part.

## CHAPTER 60

### ***RECORD-REGISTRATION OF TAXPAYERS IN CASE OF RE-ORGANISATION AND CHANGING OF THE TAX AUTHORITY OF RECORD-REGISTRATION OF A TAXPAYER***

#### **Article 294. Record-registration of taxpayers in case of re-organisation**

1. In case of restructuring of the organisation, the TIN shall be transferred to the legal successor thereof, and in case of other types of re-organisation:

(1) in case of re-organisation through absorption of organisations, the TIN of the organisation which has absorbed another organisation or organisations shall continue to function, and the TIN of the absorbed organisation or organisations shall be removed from record-registration;

(2) in case of re-organisation through consolidation of organisations, the newly-created organisation shall be issued a new TIN, and the TINs of the consolidating organisations shall be removed from record-registration;

(3) in case of re-organisation through separation of organisations, the newly-separated organisation or organisations shall be issued a new TIN, and the organisation from which separation took place shall continue being record-registered with the TIN thereof;

(4) in case of re-organisation through division of organisations, each of the newly-created organisations shall be issued a new TIN, and the TIN of the previous organisation shall be removed from record-registration.

2. Conditioned by the re-organisation of organisations, the Agency for State Register shall submit the information and documents on state registration (record-registration) to the tax authority as prescribed by the Government of the Republic of Armenia.

3. Conditioned by the re-organisation of organisations having obtained state registration with the Central Bank of the Republic of Armenia, documents and information on state registration shall be submitted by the Central Bank of the Republic of Armenia to the tax authority, as prescribed by the joint order of the Central Bank of the Republic of Armenia and the tax authority.

**Article 295. Changing of the tax authority of record-registration of a taxpayer**

1. The tax authority of record-registration of a taxpayer may change upon the decision of the head of the tax authority, in case one of the grounds mentioned in part 2 of this Article exists, where:

(1) places (postal addresses) of location of an organisation (in case of a natural person — of record-registration or residence) and of actual performance of activities do not correspond to each other;

(2) taxpayer carries out activities at more than one addresses.

2. Upon the decision of the head of the tax authority, grounds for transferring the record-registration of an organisation or individual entrepreneur from one tax authority to another tax authority shall be:

(1) change of the main place of activities;

(2) predominance of the share of the income derived from one place in the proportion of the gross income;

(3) change of the centre of business interests, of the place of location of the management of the organisation;

(4) sector-related, season-related, territorial or other similar peculiarities of the activities.

**Article 296. Submission of information on change of the data of a taxpayer**

1. The Agency for State Register shall provide to the tax authority the information and documents on change of the data submitted during the record-registration with the tax authority of organisations having obtained state registration (record-registration) and of natural persons record-registered as individual entrepreneurs with the Agency for State Register, as prescribed by the Government of the Republic of Armenia.
2. Documents and information on change of the data submitted during the record-registration with the tax authority of organisations having obtained state registration with the Central Bank of the Republic of Armenia shall be provided by the Central Bank of the Republic of Armenia to the tax authority, as prescribed by the joint order of the Central Bank of the Republic of Armenia and the tax authority.
3. Information on change of the passport data of natural persons not deemed individual entrepreneurs and of notaries shall be provided by the authorised body maintaining the state register of population to the tax authority, as prescribed by the Government of the Republic of Armenia.

**CHAPTER 61**

***SUSPENSION OF ACTIVITIES AND REMOVAL FROM  
RECORD-REGISTRATION OF TAXPAYERS***

**Article 297. Removal from record-registration with the tax authority of organisations having obtained state registration (record-registration) by the Agency for State Register**

1. The Agency for State Register shall — on the day of making the entry on commencing a liquidation process of an organisation in cases prescribed by law —

provide online to the tax authority the name, TIN of the organisation, and the information on undergoing a liquidation process (in case of liquidation upon the judgment of the court — the information on the judgment or decision of the court).

2. After receiving the information on the organisation undergoing a liquidation process, the tax authority shall conduct a complex tax inspection in the organisation being liquidated.

3. In case of receiving an enquiry from the Agency for State Register for certifying the absence of tax liabilities of the organisation with respect to the State Budget, the tax authority shall — within 20 days after the day of receiving the enquiry — provide a statement of information on the liabilities with respect to the incomes controlled by the tax authority, in the form prescribed by the tax authority.

4. The Agency for State Register shall — on the day of making the entry of the information on liquidation — provide to the tax authority information on the year, month and date of state registration of the liquidation of the organisation. The mentioned information shall update automatically in the unified register, and the organisation shall be deemed removed from record-registration from that moment on.

**Article 298. Removal from record-registration with the tax authority  
(termination of activities) of individual entrepreneurs having  
obtained state record-registration by the Agency for State  
Register**

1. The Agency for State Register shall — on the day of making the entry on commencing a process of removing the individual entrepreneur from state record-registration — provide online to the tax authority the name, surname, TIN of the individual entrepreneur, the year, month, date of the application serving as a ground for removing from state record-registration, in case of removing from state record-

registration as a result of bankruptcy — information on the decision of the court, in case of death — the year, month, date of death.

2. After receiving the information prescribed by part 1 of this Article, the tax authority shall provide online to the Agency for State Register information on the tax liabilities of the individual entrepreneur, recorded with the tax authority as of the given day.

3. The Agency for State Register shall — on the day of making the entry of the information on removing the individual entrepreneur from state record-registration (terminating the activities) — provide to the tax authority information on the year, month and date of removing the individual entrepreneur from state record-registration. The mentioned information shall update automatically in the unified register, and the individual entrepreneur shall be deemed removed from record-registration from that moment on.

4. After removing an individual entrepreneur from state record-registration, tax calculation reports submitted by the natural person for the period of being deemed an individual entrepreneur, the data on payments made with respect to taxes and fees shall be entered into the information system of the tax authority.

**Article 299. Removal from record-registration of organisations having obtained state registration by the Central Bank of the Republic of Armenia**

1. In cases prescribed by law, the Central Bank of the Republic of Armenia shall — within three working days following the day of rendering a decision on liquidation of an organisation — provide online to the tax authority the name, TIN, address of the official website of the organisation and the information on granting permission for liquidation.

2. After receiving the data prescribed by part 1 of this Article, the tax authority shall conduct a complex tax inspection in the organisation being liquidated.

3. The Central Bank of the Republic of Armenia shall — within three working days following the day of making the entry on removing the organisation from registration — provide online to the tax authority information on the year, month and date of making the entry on removing the organisation from registration. The mentioned information shall update automatically in the unified register, and the organisation shall be deemed removed from record-registration from that moment on.

**Article 300. Removal from record-registration of natural persons not deemed individual entrepreneurs and notaries**

1. For removing a natural person not deemed an individual entrepreneur and a notary from record-registration, the carbon copy of the document certifying the fact of the death thereof submitted by a third person shall be a ground.

2. Relevant entries shall be made on the natural person in the unified register within one working day after the receipt of information or submission of the document mentioned in this Article. The natural person shall be deemed removed from record-registration from the day of the death.

3. The body maintaining the State Population Register shall provide to the tax authority information on dead natural persons, as prescribed by the Government of the Republic of Armenia.

**Article 301. Removal of notaries from record-registration**

1. For withdrawing from record-registration, a notary shall submit to the tax authority an application and one of the following documents:



- (1) carbon copy of the decision of the Minister of Justice of the Republic of Armenia on suspension of notarial activities;
  - (2) carbon copy of the decision of the court on dismissal from the position of notary;
  - (3) carbon copy of the order of the Minister of Justice of the Republic of Armenia on dismissal from the position of notary.
2. The carbon copy of the order or decision on suspension of the activities of a notary or on dismissal from the position, submitted by the Minister of Justice of the Republic of Armenia, or the carbon copy of the document certifying the fact of the death thereof, submitted by a third person, may be a ground for removing a notary from record-registration.
3. In case of receipt of one of the documents prescribed by this Article, information on termination of activities of the given notary shall be entered into the unified register within one working day. A notary shall be deemed removed from record-registration from the day of suspension of activities or dismissal from the position, or of death.

**Article 302. Removal from record-registration of diplomatic representations and consular offices accredited in the Republic of Armenia, international organisations equivalent thereto**

1. Based on the data received from the Ministry of Foreign Affairs of the Republic of Armenia on termination of activities of diplomatic representations and consular offices accredited in the Republic of Armenia, international organisations equivalent thereto, information on termination of activities of the given organisation shall be entered into the unified register within one working day. The organisation shall be deemed

removed from record-registration from the moment of termination of activities of the organisations mentioned in this part.

**Article 303. Removal from record-registration of the permanent establishment of a non-resident organisation or a non-resident natural person (except for branches and representations of non-resident organisations, which are record-registered with the Agency for State Register)**

1. For withdrawing from record-registration, the permanent establishment of a non-resident organisation (except for branches and representations of non-resident organisations, which are record-registered with the Agency for State Register) shall submit an application to the tax authority. Based on the application, information on termination of activities of the permanent establishment of a non-resident organisation shall be entered into the unified register within one working day. From the day mentioned in the application, the permanent establishment of a non-resident organisation shall be deemed removed from record-registration.
2. For removing the permanent establishment of a non-resident natural person from record-registration, the carbon copy of the document certifying the fact of the death thereof submitted by a third person shall be a ground. Relevant entries shall be made on the permanent establishment in the unified register within one working day after the submission of the carbon copy of the document mentioned in this Article. The permanent establishment shall be deemed removed from record-registration from the day of the death of the natural person.

## **SECTION 15**

### **SERVICE OF TAXPAYERS**

## **CHAPTER 62**

### ***SERVICE OF TAXPAYERS***

#### **Article 304. Functions of the tax authority of servicing taxpayers**

1. Servicing of taxpayers by the tax authority shall be the provision of services prescribed by the Code, which shall be aimed at the perception and ensuring of the voluntary performance of obligations of taxpayers or tax agents, provided for by the Code. Servicing of taxpayers shall be carried out in the form of notice to taxpayers, acceptance and/or provision of tax calculation reports and other documents prescribed by the Code, as well as of registrations, record-registrations, approvals, certifications for taxpayers, and of other processes.

2. For the purpose of servicing taxpayers, the tax authority shall carry out the following functions:

- (1) public notice of legal acts regulating tax relations;
- (2) provision of official clarifications;
- (3) notice to taxpayers;
- (4) publication of lists of taxpayers;
- (5) carrying out other functions of notice to taxpayers;
- (6) conclusion of contracts on submission of tax calculation reports electronically, provision of an electronic code and password;
- (7) acceptance of tax calculation reports;

- (8) acceptance of applications, statements, other documents prescribed by the Code, and ensuring of further processing;
  - (9) ensuring of the possibility of viewing live online the taxpayer's personal account card (including tax liabilities and satisfaction thereof);
  - (10) approval of the status of a resident of the Republic of Armenia or provision of a statement of information confirming the residency;
  - (11) acceptance of an application on receiving a statement of information on the taxes paid in the Republic of Armenia by a non-resident and provision of a statement of information;
  - (12) acceptance and approval of a certificate-application on the refund of taxes levied, as prescribed by the Code, from incomes derived from the sources located in the Republic of Armenia;
  - (13) other services prescribed by the legislation of the Republic of Armenia.
3. The tax authority shall carry out the functions mentioned in part 2 of this Article free of charge, except for those services or actions for which collecting of state duty is prescribed by law.

## **CHAPTER 63**

### ***FUNCTIONS OF NOTICE TO TAXPAYERS***

#### **Article 305. Public notice of legal acts regulating tax relations**

1. The tax authority shall notify taxpayers of the legal acts regulating tax relations.
2. Notice to taxpayers of the legal acts regulating tax relations shall be carried out through publishing an official communication on the official website of the tax

authority, organising press-conferences and meetings with the mass media, publishing interviews, articles or information, or making speeches on the television and radio.

3. The tax authority shall be obliged to ensure the notice to taxpayers of the legal acts regulating tax relations not later than within one month following the day of official publication of those legal acts.

#### **Article 306. Provision of official clarifications**

1. The tax authority shall provide official clarifications in cases, in the manner and within time limits prescribed by the Law of the Republic of Armenia “On legal acts”, unless otherwise prescribed by this Article.

2. The tax authority shall provide the official clarification within 15 days following the receipt of the application. Where a necessity occurs to receive the position of another competent authority for the official clarification, the time limit of official clarification shall be postponed until the receipt of the position of the competent authority, of which the tax authority shall inform the applicant in writing.

3. Official clarifications shall be published on the official website of the tax authority. Where the application submitted on receiving an official clarification refers to a legal act or its provision for which the tax authority has previously made an official clarification, no new official clarification shall be made, and, based on the application, the tax authority shall carry out a process of personal notice to the taxpayer, making reference to the bulletin or the official website of the tax authority, where the previously made official clarification is published.

#### **Article 307. Notice to taxpayers**

1. The tax authority shall carry out notice based on the enquiry application of the taxpayer.

2. Notice to the taxpayer shall be the provision of information on the application of requirements of the legal acts regulating tax relations, as well as of the obligations, powers and actions of the tax authority and the officials of the tax authority.

3. For the purpose of notifying, the taxpayer shall apply to the tax authority orally and/or in writing. In case of an oral application, the tax authority shall carry out the notice to the applicant immediately after receiving the application, whereas in case of a written application — within 15 days after receiving the application. In case of a necessity to make an enquiry to another competent authority in relation to the written application, the time limit of the processing of the application may be postponed by 15 more days.

4. The tax authority shall not carry out notice with regard to the application or any of its questions, where:

- (1) the question does not relate to the powers of the tax authority;
- (2) the question supposes disclosure of information constituting state, official, tax or another secret protected by law;
- (3) the following are missing:
  - a. in case of an oral application — the name, surname of the applicant, and in case of a representative of an organisation — also the name or TIN of the organisation;
  - b. in case of a written application — the name, surname, place of residence and signature of the applicant, and in case of a representative of an organisation — also the name of the organisation, the TIN or place of location;
- (4) the application pursues a goal to receive confirmation of incorrect or correct performance of certain cases of calculation or payment of taxes or to carry out expert examination of activities and/or documents of the taxpayer.

5. Where no notice is carried out, in cases prescribed by part 4 of this Article, with regard to the application or any of its questions, the tax authority shall inform the

applicant about it within five days, mentioning the reason and ground for the failure to carry out notice.

6. Where no notice is carried out, in cases prescribed by part 4 of this Article, with regard to any of the questions of an application containing more than one question, the tax authority shall carry out the notice with regard to the rest of the questions of the application.

7. Where quotation from a legal act or clarification of the tax authority is necessary for carrying out notice based on the oral question, the tax authority shall suggest to the applicant submitting a written application.

8. The tax authority shall post the most frequently occurred questions within the scope of activities of notifying the taxpayers and the notices (responses) issued thereon, without the data relating to taxpayers, on the official website of the tax authority, and shall, for the purpose of carrying out further notices based on the applications submitted on the same questions, make reference to the relevant notices issued on the official website.

#### **Article 308. Publication of lists of taxpayers**

1. For the purpose of notifying taxpayers, the tax authority shall publish — through the procedure and in the manner prescribed by the Government of the Republic of Armenia — the following on the official website of the tax authority:

(1) until 1<sup>st</sup> of July inclusive of the tax year following the tax year:

- a. list of taxpayers having declared tax loss and accumulated arrears by the results of the tax year;
- b. list of taxpayers not having registered recruitment of a worker as prescribed by legislation;
- c. lists of taxpayers having paid AMD 50 million and more profit tax to the State Budget of the Republic of Armenia by the results of the tax year;

- d. lists of tax agents having paid AMD 10 million and more income tax to the State Budget of the Republic of Armenia by the results of the tax year;
  - e. list of organisations and individual entrepreneurs the activities whereof have been suspended as prescribed by Article 384 of the Code;
  - f. other information prescribed by the legislation of the Republic of Armenia;
- (2) lists of the first 1 000 large taxpayers and the amounts of taxes paid thereby from the beginning of the tax year, calculated progressively, by 25<sup>th</sup> of the month following each quarter inclusive.

**Article 309. Other functions of notice to taxpayers**

1. For the purpose of notifying taxpayers, the tax authority shall carry out functions of notifying, reminding, providing informative materials, holding informative and educational events.
2. The procedure for carrying out the notifying functions mentioned in this Article shall be prescribed by the tax authority.

**CHAPTER 64**

***FUNCTIONS OF ACCEPTING AND ISSUING TAX CALCULATION REPORTS AND  
OTHER DOCUMENTS***

**Article 310. Conclusion of contracts for submitting tax calculation reports  
in electronic form, issuance of electronic code and password**

1. The electronic submission by the taxpayer or tax agent of tax calculation reports prescribed by the Code shall be carried out on the basis of the contract for electronic submission of tax calculation reports concluded with the tax authority (hereinafter



referred as the “CES”), using electronic digital signature, electronic code and password.

2. CES shall be a contract for provision of services wherein the subject-matter of the contract and the conditions for providing services, the data of passport or identification card of the person authorised by the taxpayer or tax agent and submitting tax calculation reports in electronic form, the public service number (where it is unavailable, the number of the statement of information concerning the absence of the public service number provided by the authorised body), the powers and obligations of the taxpayer or tax agent and of the tax authority, the procedure for confirming the fact of submission by the taxpayer or tax agent of tax calculation reports in due manner and within due time limits in case of technical failures, the procedure for examining the disputes, the liability of the parties, the validity period of the contract and other conditions shall be stated. The template for a CES shall be prescribed by the tax authority.

3. The definition and application of electronic digital signature shall be regulated by the Law of the Republic of Armenia “On electronic document and electronic digital signature”. Electronic code and password shall be a combination of a login name and a password presented in a unique order of electronic digital symbols, enabling access to the information system of the tax authority, identification of the person submitting the electronic document, as well as ensuring the confidentiality and protection of information regarding the person accessing the electronic system against actions carried out by other persons.

4. For the purpose of concluding a CES and receiving electronic code and password, the taxpayer or tax agent shall submit the following to the tax authority:

(1) passport or identification card;

(2) public service number (where it is unavailable, the number of the statement of information concerning the absence of the public service number, provided by the authorised body).

5. The authority shall complete and conclude a CES within one working day.

6. The tax authority shall, within one working day after concluding a CES, hand in the relevant electronic password and code to the competent person of the taxpayer or tax agent, ensuring the confidentiality thereof. The taxpayer or tax agent shall be responsible for maintaining the confidentiality of the electronic password and code as well as for not disseminating them. In cases of loss, damage of the password or replacement of the competent person using it, the taxpayer or tax agent shall apply to the tax authority for receiving a new password. Resetting of the password or provision of a new password shall be carried out under the simplified procedure approved by the tax authority.

#### **Article 311. Acceptance of tax calculation reports**

1. In cases prescribed by the Code, the tax authority shall accept the tax calculation reports, prescribed by the Code, which are submitted by the taxpayer or tax agent.

2. For the purpose of submitting tax calculation reports to the tax authority, the taxpayer or tax agent shall conclude a CES with the tax authority in compliance with the requirements of Article 310 of the Code, receive an electronic code and password.

3. In case the tax authority accepts the tax calculation report, the electronic system shall send a notification to the user confirming the fact, date of accepting the tax calculation report and the number of registration in the database. The date indicated in the notification shall be the day of submitting the tax calculation report to the tax authority.

4. History of actions carried out by the taxpayer shall be stored in the relevant library of the website, from which the taxpayer can export and print the tax calculation report.
5. The tax authority shall ensure, as prescribed by the legislation, the protection and storage of data of the tax calculation report, accepted in electronic form, in the database of the tax authority.

**Article 312. Acceptance of other documents, as well as, in cases prescribed by the Code, of tax calculation reports in paper form**

1. Documents not considered to be tax calculation reports (hereinafter referred to as “other documents”) shall be submitted to the tax authority in electronic form, except for the documents, for which the system of the tax authority for accepting documents in electronic form does not enable submission in electronic form.
2. In cases prescribed by part 5 of Article 53 of the Code, tax calculation reports may be submitted to the tax authority also in paper form.
3. The taxpayer shall submit other documents and tax calculation reports in hard copy to the tax authority of the place of record-registration thereof.
4. Other documents and tax calculation reports shall be submitted in hard copies to the tax authority:
  - (1) through postal communication, only by registered mail;
  - (2) in person, by handing them in to the competent official of the tax authority.
5. All expenses associated with submitting other documents and tax calculation reports to the tax authority by registered mail shall be covered by the taxpayer.

6. In case the taxpayer submits the registered mail to a tax authority other than the tax authority of the place of record-registration thereof, the tax authority having received the registered mail shall return it to the taxpayer within one working day after receiving it, with the letter of the competent official of the tax authority, through postal communication, or in person, with the receipt signature.

7. In case other documents and tax calculation reports are submitted to the tax authority by registered mail, the day of submitting other documents and tax calculation reports to the tax authority shall be considered the date-stamp mark, impressed on the envelope of the letter by the post office, which certifies the date of acceptance. Where the date-stamp mark of the post office is missing from the envelope of the registered letter or is damaged or apparently illegible, the registered letter shall not be accepted by the tax authority.

8. In case other documents and tax calculation reports are submitted to the tax authority by registered mail, the taxpayer shall indicate the return address of the place of record-registration or location thereof on the envelope of the registered letter. Envelopes without the return address of the taxpayer shall not be accepted by the tax authority. The existence of a content description sheet (hereinafter referred to as “the sheet”) in the letter shall be mandatory, wherein the names of other documents and the number of pages thereof are indicated in the form of a list. The taxpayer shall sign the sheet and enclose it to other documents and tax calculation reports submitted. In case of absence of a sheet, the tax authority shall return all other documents and tax calculation reports submitted by registered mail to the taxpayer within one working day after receiving them, with a letter of the competent official and with relevant justification, through postal communication, or in person, with return signature.

9. In case the tax authority returns other documents and tax calculation reports to the taxpayer, the day of return shall be considered to be the day the post (courier) service receives the registered letter with other documents and tax calculation reports. Where the date-stamp mark is missing from the envelope of the registered letter or it

is damaged or is apparently illegible, other documents or tax calculation reports shall not be considered returned to the taxpayer.

10. When accepting other documents and tax calculation reports submitted by registered mail, the competent official of the tax authority shall check the availability of data subject to mandatory completion in other documents and tax calculation reports.

11. In case other documents or tax calculation reports are not submitted in the form prescribed by the tax authority (including jointly with other agencies) or other documents or tax calculation reports lack any data subject to mandatory completion or any other document or a document constituting an integral part thereof indicated in the sheet is absent, other documents or tax calculation reports shall be considered not submitted and the competent official of the tax authority shall — within two working days after receiving other documents or tax calculation reports — inform the taxpayer thereof in writing.

12. Other documents and tax calculation reports submitted in hard copies shall be attached to the tax records of the taxpayer.

**Article 313. Ensuring of the opportunity to view online the personal account card (including tax liabilities and the satisfaction thereof) of the taxpayer**

1. Taxpayer shall have the opportunity to view online, in real time, the personal account card thereof (including tax liabilities and the satisfaction thereof).

2. Taxpayer shall have the opportunity to reprint the account statement thereof, the information stated wherein shall be considered to be information approved by the tax authority and, where necessary, shall be accepted by other organisations and natural persons.

**Article 314. Confirmation of the status or issuance of a certificate  
confirming the status of a resident of the Republic of Armenia**

1. The tax authority shall confirm the status of a resident of the Republic of Armenia of organisations and natural persons for the purpose of ensuring the application of ratified international treaties (agreements, conventions) in force between the Republic of Armenia and other states.

2. The confirmation of the status of a resident of the Republic of Armenia shall be carried out through issuance of a certificate confirming the status of a resident of the Republic of Armenia prescribed by the tax authority or approval of the form certifying the fact of foreign residence and prescribed by the legislation of the foreign state. The form prescribed by the legislation of the foreign state shall be considered to be a form certifying the fact of residence where it complies, in terms of the content, with the content of the certificate of residence of the Republic of Armenia and prescribed by the tax authority.

3. For the purpose of confirming the status of a resident of the Republic of Armenia, the taxpayer shall submit to the tax authority the documents prescribed by part 4 of this Article. The tax authority shall, within two working days, issue a certificate confirming the status of a resident of the Republic of Armenia or reject in writing the issuance thereof by indicating the reason.

4. For the purpose of receiving a certificate confirming the status of a resident of the Republic of Armenia, the taxpayer shall submit the following:

- (1) in case of an organisation, information on the type and size of income received in a foreign state, and if available, also carbon copy of documents justifying the receipt of incomes in a foreign state;
- (2) in case of a natural person:

- a. information on the type and size of income received in a foreign state, and if available, also carbon copy of documents justifying the receipt of incomes in a foreign state;
  - b. carbon copies of all pages of the passport of the person;
  - c. the table of calculation of the period when the person is within the territory of the Republic of Armenia or the justification, set forth in free form, for the centre of vital interests being within the territory of the Republic of Armenia, by attaching the carbon copies of supporting documents.
5. The confirmation of the status of a resident of the Republic of Armenia shall be carried out both for the current and previous tax years, where all the necessary documents regarding the previous tax years and certifying the fact of residence are available.

**Article 315. Acceptance of application for receiving a statement of information concerning taxes paid by a non-resident in the Republic of Armenia and issuance of the statement of information**

1. The tax authority shall issue a statement of information concerning the profit tax or income tax paid by a non-resident in the Republic of Armenia to non-resident organisations prescribed by Article 22 of the Code and non-resident natural persons prescribed by Article 25 of the Code to be submitted to a foreign tax authority.
2. For the purpose of receiving a statement of information concerning the profit tax and income tax paid by a non-resident in the Republic of Armenia (hereinafter referred to as the “statement of information”), the non-resident having paid the taxes or the authorised person thereof shall submit an application in writing to the tax authority of the place of record-registration of the tax agent having withheld the tax in

the Republic of Armenia. Where the non-resident has paid the profit tax or income tax in the Republic of Armenia without a tax agent, the application shall be submitted to the tax authority of the place of record-registration of the Central Treasury of the Ministry of Finance of the Republic of Armenia.

3. The application shall include the full name of the non-resident applicant (in case of a natural person — name, surname), state of residence, identification number in the state of residence (where available), source of income in Armenia by indicating the name of the income payer (in case of a natural person — name, surname) and the address of the place of record-registration (location), the period for which the statement of information is required. The application shall be signed by the applicant or the authorised person thereof and sealed (where seal is available), indicating the place and date of completing the application. Carbon copies of the documents certifying the calculation and payment of income to the non-resident, withholding of tax from the income of the non-resident and payment to the State Budget of the Republic of Armenia shall be attached to the application, in particular:

- (1) documents serving as a basis for the calculation of incomes received by the non-resident;
- (2) documents certifying the receipt of the incomes of the non-resident;
- (3) documents certifying the payment of the tax, calculated from the incomes of the non-resident as prescribed by the Code, to the State Budget of the Republic of Armenia;
- (4) documents certifying the payment of the tax, withheld by the tax agent from the income of the non-resident, to the State Budget of the Republic of Armenia.

4. By examining the documents submitted, the tax authority shall — within ten working days after receiving the application — issue a statement of information to the applicant or reject the application in writing by indicating the reason. The application may be rejected where it is impossible to conclude from the documents submitted by



the non-resident that tax on the incomes received by the non-resident has been withheld by the tax agent or has been paid to the State Budget of the Republic of Armenia by the non-resident or the tax agent.

5. The form of the statement of information concerning the profit tax or income tax paid by the non-resident in the Republic of Armenia shall be prescribed by the tax authority.

## **CHAPTER 65**

### ***HORIZONTAL MONITORING SYSTEM***

#### **Article 316. Horizontal monitoring system**

1. The tax authority shall conduct horizontal monitoring of the organisation based on the agreement concluded with the organisation as prescribed by the Code.

2. The horizontal monitoring system shall be a system of service provided and ongoing control exercised by the tax authority based on the mutual co-operation agreement concluded voluntarily between the tax authority and the organisation considered to be large pursuant to the Law of the Republic of Armenia “On accounting”, which ensures the following:

(1) full access of the information system of the tax authority, in real time, to the electronic circulation of documents (including documentation of transactions) and accounting programme of the organisation as prescribed by the Government of the Republic of Armenia;

(2) provision of clarifications in electronic form with regard to provisions of legal acts regulating the relations pertaining to the incomes controlled by the tax authority based on the application submitted by the organisation in electronic form (including on issues concerning performed or envisaged transactions);

(3) conduct by the tax authority of monitoring of data on transactions performed and record-registration carried out by the organisation;

(4) exchange of information in electronic form between the organisation and tax authority in real time.

3. The horizontal monitoring system shall be introduced and applied free of charge.

4. The form of and procedure for completing, procedure and time limits for submitting the application for conducting horizontal monitoring, form of the agreement, documents necessary for concluding it, grounds for concluding, rejecting and procedures for conducting monitoring shall be prescribed by the Government of the Republic of Armenia.

5. Fields of activities, the organisations functioning wherein may use the horizontal monitoring system, shall be prescribed by the Government of the Republic of Armenia.

6. List of organisations having concluded a horizontal monitoring agreement with the tax authority in compliance with this Article and changes made therein shall be published on the official website of the tax authority within three working days after concluding the agreement or making changes to the list of organisations having concluded the agreement.

#### **Article 317. Early termination of the horizontal monitoring system**

1. Use of the horizontal monitoring system may be early terminated by the tax authority where:

(1) the organisation has not fulfilled the obligations provided for by the horizontal monitoring agreement, as a result of which it was impossible to conduct the horizontal monitoring;

(2) the tax authority possesses facts that the organisation has submitted inaccurate information within the horizontal monitoring period;

(3) the organisation has failed to submit relevant clarifications twice and more than two times in case of a request by the tax authority to submit clarifications with regard to the information on the correctness of calculation and payment of incomes controlled by the tax authority within the horizontal monitoring period, detected variations in data submitted by the organisation and data available with the tax authority.

2. The horizontal monitoring system may be early terminated upon the initiative of the organisation.

3. In case the use of the horizontal monitoring system is early terminated by the tax authority or the organisation, the terminating party shall be obliged to inform the other party thereof not later than at least one month prior to the termination.

## **SECTION 16**

### **TAX LIABILITIES AND DEBIT AMOUNTS OF TAXPAYERS**

## **CHAPTER 66**

### ***RECORD-KEEPING BY THE TAX AUTHORITY OF TAX LIABILITIES AND DEBIT AMOUNTS OF TAXPAYERS***

#### **Article 318. Unit of measure for record-keeping of tax liabilities and debit amounts of taxpayers**

1. Dram (excluding lumas) shall be taken as a unit of measure for record-keeping of amounts of tax liabilities, debit amounts and amounts subject to compensation in tax

calculation reports, as well as notices, statements of information, protocols, inspection acts and other documents drawn up by the tax authority and provided to the taxpayer.

**Article 319. Record-keeping of tax liabilities and debit amounts**

1. Tax liabilities and debit amounts arising from the tax calculation shall be subject to record-keeping by the tax authority as of the date of submission of the tax calculation report, and the patent tax liabilities shall be subject to record-keeping as of the date of beginning of the patent taxable activities.
2. Tax liabilities arising from the verified tax calculation report submitted for the same reporting period shall be subject to record-keeping in chronological order, to the extent of difference of the data verified and included in the previous tax calculation report. Positive difference shall be subject to record-keeping as a tax liability and negative difference, as a debit amount (amount deductible from the tax liability).
3. Debit amounts arising from the verified tax calculation report submitted for the same reporting period shall be subject to record-keeping in chronological order, to the extent of difference of the data verified and included in the previous tax calculation report. Positive difference of debit amounts shall be subject to record-keeping as a debit amount (amount deductible from the tax liability) and negative difference, as a tax liability.
4. The advance payments prescribed by the Code shall be subject to record-keeping as of the deadlines for the payment thereof.
5. In case of change of tax liabilities (including advance payments) or debit amounts in cases prescribed by the Code and laws of the Republic of Armenia on fees, recalculation shall be made with respect to the tax whereto the change relates. The tax authority shall credit the amounts, resulting from the change indicated in this part and subject to crediting to the unified account, to the unified account of the taxpayer

(except for compensation amounts, resulting from the change of tax liabilities or debit amounts with respect to VAT or excise tax, which are considered debit amounts), and in case of emergence of a tax liability, fines shall be calculated starting from the deadline for payment of the initial tax. The principle specified in this part shall be applied also in the case specified in part 3 of Article 321 of the Code.

**Article 320. Record-keeping of tax liabilities, debit amounts arising under the inspection acts (examination protocols, administrative acts)**

1. Tax liabilities and debit amounts of the taxpayer with respect to the State Budget recorded as a result of an inspection (examination, operational and intelligence measures) carried out at the taxpayer by tax authorities shall be subject to record-keeping respectively as of the date of drawing up the inspection act (examination protocol, administrative act), but not later than the day of closing the order (decision) serving as a basis for carrying out the inspection (examination, operational and intelligence measures) without the change of balance available as of that day.
2. Fines and penalties for tax liabilities under the inspection act (examination protocol) shall be calculated before the day of drawing up the inspection act without taking account of debit amounts (including additional debit amounts recorded by the same inspection (examination)).
3. Fines for additional amounts of advance tax payments shall not be calculated.
4. Fines for a ten-day period of payment of amounts set forth under the inspection act (examination protocol) shall not be calculated.

**Article 321. Record-keeping of amounts recalculated on the basis of re-inspection acts, decisions of the appeals commission and court**

1. The amount difference of results of the re-inspection and previous inspection (or re-inspection) shall be subject to record-keeping as of the day of drawing up the re-inspection act, pursuant to Article 320 of the Code (irrespective of the change in types of violations).
2. In case the actions (or omission) of the tax authority or a tax officer are appealed by the taxpayer before the appeals commission, the submission of the complaint shall not suspend the calculation of fines.
3. In case the inspection (re-inspection) act, examination protocol or the administrative act is revoked upon the decision of the appeals commission or the court, as well as conditioned upon the cases prescribed by part 6 of Article 44 of the Code, the entries made to the personal account cards (special personal account cards) shall be subject to change, and in case of partial change, the amount difference of results of the current and previous decision and inspection (re-inspection, examination, operational and intelligence measures) shall be registered in compliance with Article 320 of the Code.

**Article 322. Peculiarities of record-keeping of liabilities and debit amounts in case of re-organisation of the taxpayer**

1. In case of re-organisation (absorption, consolidation, division, separation, restructuring) of an organisation, records of tax liabilities shall continue to be kept taking as a basis the principle of legal succession (including with respect to the record-keeping of fines, penalties or time limits).
2. Transfer of the tax liabilities and debit amounts, tax amounts paid in excess of the prescribed amounts, as well as balance of the amounts on the unified account shall be

conducted as of the day of registration of the re-organisation (except for restructuring) as prescribed by law (irrespective of the date of drawing up the transfer act or dividing balance sheet) taking as a basis the data of the act drawn up as a result of comprehensive tax inspection carried out by the tax authority. In cases prescribed by this part, the corporate successors shall — by the 20<sup>th</sup>, inclusive, of the month following the month covering the day of re-organisation — submit to the tax authority a statement of information in the form approved by the tax authority concerning the tax liabilities and debit amounts transferred thereto, tax amounts paid in excess of the prescribed amounts, as well as balance on the unified account.

3. The organisation shall, within five working days after adopting the decision on re-organisation, inform the tax authority of the place of its record-registration about it. The organisation being re-organised shall, within three working days after approving the transfer act or dividing balance sheet, simultaneously submit to the tax authority of the place of its record-registration an application on carrying out a comprehensive tax inspection as well as tax calculation reports. The comprehensive tax inspection must commence within 20 working days after receiving the application.

### **Article 323. Peculiarities of record-keeping of tax liabilities in case of liquidation of the organisation without legal succession**

1. Tax liabilities of organisations being liquidated without legal succession shall be satisfied before the deadline prescribed by the Code, but not later than the day of liquidation of the organisation.

### **Article 324. Bankruptcy of the taxpayer**

1. Moratorium shall be in effect within the period between the entry into force of the judgment on declaring the debtor bankrupt and the closure of the bankruptcy case, in

which case the claims shall be satisfied in the order prescribed by law, and the discharge of tax liabilities with respect to the State Budget after approval of the financial recovery plan shall be carried out as prescribed by that plan.

2. Within the period between the day of entry into force of the judgment on declaring the debtor bankrupt and closure of the bankruptcy case, as well as within the period between the entry into force of the court judgment on granting the application for the risk of bankruptcy and approving the financial recovery plan, advance payments, fines and penalties shall not be calculated (including in case of violation of time limits in the order prescribed by law). Moreover, within the period between the day of entry into force of the judgment on declaring the debtor bankrupt and closure of the bankruptcy case, as well as within the period between the entry into force of the court judgment on granting the application for the risk of bankruptcy and approving the financial recovery plan, fines and penalties for the amounts additionally detected for those periods by the inspections (or re-inspections) regarding the reporting periods shall not be calculated until the entry into force of the judgment, and following the entry into force of the court judgment on granting the application for the risk of bankruptcy and approving the financial recovery plan, the fines and penalties based on inspections (re-inspections) regarding the reporting periods shall be calculated as prescribed by the Code.

3. The tax liabilities, presented by the administrator on behalf of the taxpayer for the reporting periods covering the periods of suspension of the activities of the debtor and additionally incurred during the bankruptcy proceedings, shall be registered as of the date of receiving such information (as arrears for which fines are not calculated).

#### **Article 325. Satisfaction of tax liabilities**

1. The day of record-keeping of amounts paid to the unified account shall be considered to be the day of crediting them to the unified account.



2. The amounts subject to crediting to the unified account shall be credited to the unified account as of the day of generation thereof.
3. Tax liabilities shall primarily be satisfied at the expense of amounts available on the unified account, and then at the expense of overpayments, available on a separate sub-account of the State Budget funds, which is maintained by the treasury, and generated before the entry into force of the Code. Satisfaction shall be made as of the day of availability of amounts referred to in this part.
4. VAT and excise tax liabilities shall primarily be satisfied respectively at the expense of debit amounts of the given type of the tax, and then as prescribed by part 3 of this Article.
5. Tax liabilities for excise tax, social contribution, penalty prescribed by part 8 of Article 416 of the Code and calculated in lieu of the suspension of the activities of the taxpayer, extra-budgetary account of the tax authority shall primarily be satisfied at the expense of the amounts available on the unified account, in the stated order. Tax liabilities referred to in this part shall be satisfied irrespective of existence of other tax liabilities of the taxpayer and time limits for generation thereof.
6. In case of absence of tax liabilities referred to in part 5 of this Article or after the satisfaction thereof, other tax liabilities of the taxpayer shall be satisfied in the order of tax liabilities arisen earlier. Moreover, first the amounts of all taxes, fees, then those of fines, after which the amounts of penalties, compensation for the damage shall be satisfied out of the amounts of other tax liabilities.
7. The amounts of satisfied tax liabilities shall be reflected as of the day of repayment thereof to the treasury income accounts, pursuant to this Article.
8. Payments made to the unified account shall not be considered tax incomes and fees of the State Budget until the liabilities have not been satisfied at the expense thereof.

9. The amounts of material rewards of the tax authority from the unified account and of system development funds shall be subject to record-keeping in the separate sub-account of the state extra-budgetary resources (extra-budgetary account of the tax authority).

**Article 326. Day of crediting the amounts to unified account**

1. The day of crediting the amounts to the unified account shall be considered to be the following:

(1) with respect to the amounts generated as a result of submission of verified tax calculation reports — date of submission of the verified tax calculation report;

(2) with respect to the amounts generated as a result of the reduction of tax liabilities resulting from the execution of the court judgment or decision adopted by the appeals commission or as a result of the increase in amounts specified in part 1 of Article 327 of the Code and subject to crediting to the unified account — date of delivery of the court judgment or adoption of the decision of the appeals commission;

(3) with respect to amounts generated as a result of the reduction of tax liabilities based on the results of comprehensive tax inspection or examination or as a result of the increase in amounts specified in part 1 of Article 327 of the Code and subject to crediting to the unified account — date of drawing up the comprehensive tax inspection act or examination protocol.

**Article 327. Crediting of the amounts to unified account and refunding of the amounts from unified account**

1. The amounts substantiated by the results of examination shall be subject to crediting to the unified account based on the opinion in the form prescribed by the tax authority. The tax authority shall draw up and submit the opinion to the treasury

within three working days following the entry into force of the documents supporting the substantiation of the amounts, the complex tax inspection act or examination protocol, and within three working days following the day of receipt by the tax authority of the court judgment, decision of the appeals commission, verified tax calculation report.

2. The amounts available on the unified account shall be subject to be refunded to the taxpayer based on the application submitted thereby to the tax authority and completed in the form and manner prescribed by the tax authority, within 20 days after receiving it. Refund shall be carried out in the amount indicated in the application, but not more than the amount available on the unified account as of the day of refund. Refund of the amounts from the unified account shall be carried out by the treasury by transferring the amount to the bank account of the payer, and where it is unavailable, to the commercial bank suggested by the payer, based on the passport data of the natural person. In case of delaying the refund of the amount for more than 90 days after the time limit prescribed by this part, a fine in the amount of 0.03 per cent of the amount subject to refund shall be paid to the taxpayer for each day delayed after that time limit.

## **SECTION 17**

### **TAX CONTROL**

## **CHAPTER 67**

### ***GENERAL PROVISIONS***

#### **Article 328. Tax control**

1. Tax control shall be the state control over compliance with the requirements of legal acts vesting powers of control in the tax authority — set of actions of the tax

authority prescribed by the Code within the scope of powers vested in the tax authority. For the purposes of the Code, legal acts vesting powers of control in the tax authority shall be the legal acts regulating tax relations prescribed by Article 2 of the Code, as well as the legal acts powers of control over compliance with the requirements thereof are vested in the tax authority.

2. The objective of tax control shall be to establish whether the requirements of the legal acts vesting powers of control in the tax authority are complied with, to prevent, preclude and detect violations of those requirements, to adjust tax liabilities in the cases and in the manner prescribed by legal acts vesting powers of control in the tax authority, including to calculate and re-calculate them independently, as well as to impose liability for the violations detected.

#### **Article 329. Control of the authorised bodies**

1. In the cases and within the scope prescribed by legal acts vesting powers of control in the tax authority, the control over the compliance with the requirements of those legal acts (hereinafter referred to as the “control of authorised bodies”) within the scope of powers vested therein shall be exercised by the relevant authorised bodies (officials).

2. For the purpose of ensuring control over the compliance with the requirements prescribed by the legal acts vesting powers of control in the tax authority, the tax authority and the authorised bodies shall exchange information as prescribed by the Government of the Republic of Armenia.

#### **Article 330. Administrative proceedings of control of the tax authority and authorised bodies**

1. Provisions of the Law of the Republic of Armenia “On fundamentals of administrative action and administrative proceedings” shall apply to the administrative

proceedings conducted within the framework of control of the tax authority and the authorised bodies, where the legal acts vesting powers of control in the tax authority do not prescribe the peculiarities of the administrative proceedings.

#### **Article 331. Operational and intelligence measures**

1. Relations pertaining to the operational and intelligence activities of the tax authority for the purpose of warning, preventing, precluding and detecting violations of requirements of the legal acts vesting powers of control in the tax authority shall be regulated by the Law of the Republic of Armenia “On operational and intelligence activities”.
2. In case violations of requirements of the legal acts vesting powers of control in the tax authority are detected as a result of operational and intelligence measures, the relations pertaining to the administrative proceedings shall be regulated by the Law of the Republic of Armenia “On fundamentals of administrative action and administrative proceedings”.
3. In the course of operational and intelligence measures, information about the violations of compliance with the requirements of the legal acts vesting powers of control in the tax authority shall be used during the tax control in the cases and in the manner prescribed by the Code.

#### **Article 332. Selectivity of tax control and risk management system**

1. In the cases prescribed by the Code, the tax authority shall exercise the tax control based on the principle of selectivity, applying the risk management system.
2. The risk assessed by the tax authority within the scope of tax control shall be the possibility of an action or omission of the taxpayer aimed at concealing or understating the taxable object or tax base or calculating taxes inaccurately or not paying them or not complying with other requirements of the legal acts vesting powers of control in

the tax authority and of causing damage to the state as a result thereof, taking account of the extent and degree of gravity of damages caused or expected.

3. The risk assessment by the tax authority within the scope of tax control shall be the characterisation — made on the basis of criteria characterising the level of risk — of risks arising from activities, action or omission of the taxpayer(s) and the results of analysis of tax calculation reports submitted to the tax authority and information submitted to the tax authority as prescribed by the legal acts vesting powers of control in the tax authority, the assessment and classification of taxpayer(s) and activities thereof according to the levels of risk.

4. The risk management system within the scope of tax control shall be based on risk assessment and include a set of measures targeted at identification of risks, prevention and countering of violations of requirements of the legal acts vesting powers of control in the tax authority with the view to ensuring the efficient use of resources of the tax authority and minimising the expected damages to the state.

#### **Article 333. Methods of tax control**

1. The tax control shall be exercised using the following methods:

- (1) tax inspections;
- (2) tax examinations;
- (3) other actions carried out within the framework of tax administration and prescribed by the Code and laws of the Republic of Armenia.

#### **Article 334. Publicity of results of tax control**

1. For the purpose of ensuring the publicity of results of tax control, the tax authority shall, by 1 February, inclusive, of each tax year, post on the official website thereof the

report on tax inspections and examinations done in the previous tax year, which includes the following:

- (1) full name, TIN of each taxpayer inspected and/or examined in the previous tax year;
  - (2) information about the number of inspections and/or examinations, as well as their types and grounds for conducting them in accordance with the types and grounds prescribed by relevant Articles of the Code;
  - (3) information about time limits for conducting inspections and/or examinations;
  - (4) notes on the fact that the results of inspections and/or examinations have been appealed as of the fifth day preceding the day of publication of the report.
2. The form of the report on inspections and examinations conducted in the previous tax year shall be approved by the Government of the Republic of Armenia.

## **CHAPTER 68**

### ***TAX INSPECTIONS***

#### **Article 335. Tax inspections**

1. Tax inspection shall be a procedure conducted within the scope of powers of the tax authority as prescribed by the Code at taxpayers (in cases of re-organisation of organisations within the periods being inspected with complex tax inspection — at legal successor(s), also with respect to legal predecessors), except for natural persons not deemed individual entrepreneurs or notaries, and in cases prescribed by the Code, at an individual entrepreneur, removed from record-registration, and the aim of which is to establish whether the requirements of the legal acts vesting powers of control in the tax authority are complied with, to prevent, preclude and to detect the

violations of those requirements, to adjust the tax liabilities in the cases and in the manner prescribed by the legal acts vesting powers of control in the tax authority, including to calculate and recalculate them independently, to impose liability for the violations detected.

2. The tax authority shall be entitled, within the framework of tax control, to carry out the following types of tax inspections:

(1) complex tax inspection — an inspection of the compliance with the legal acts regulating tax relations, as well as other requirements of the legal acts vesting powers of control in the tax authority;

(2) thematic tax inspection — an inspection of compliance with a certain requirement (requirements) of the legal acts vesting powers of control in the tax authority, regarding the activities of the taxpayer and prescribed by part 3 of this Article.

3. Types of thematic tax inspections shall be the following:

(1) inspection of correctness of the application of cash register machines;

(2) inspection of accuracy of baseline data and coefficients prescribed by the Code;

(3) inspection of correctness of the application of excise stamps and/or marks;

(4) inspection of accuracy of formalisation of the recruitment of the worker as prescribed by the legislation and/or submission of a request for the registration of the worker.

4. Within the scope of control of the tax authority and the authorised bodies, joint complex tax inspections may also be carried out with the participation of the authorised bodies. The procedure for participation of the authorised bodies (officials) in joint complex tax inspections shall be prescribed by the Government of the Republic of Armenia.



## **Article 336. Planning of complex tax inspections**

1. The planning of complex tax inspections within the scope of tax control shall be done through risk-based tax inspection system. Using the risk-based tax inspections the tax authority shall aim those inspections at the sectors and taxpayers with higher risk.

2. For the purpose of planning complex tax inspections:

(1) the tax authority shall develop criteria determining the risk level of taxpayers and the activities thereof. The general description of criteria determining the methodology and riskiness of risk-based complex tax inspections shall be approved by the Government of the Republic of Armenia, and the procedure for calculation and assessment thereof shall be approved by the tax authority;

(2) the tax authority shall evaluate and classify, according to the level of risks, the taxpayer(s) based on the characterisation of risks arising from the activity, actions or omission of the taxpayer and results of analysis of tax calculation reports submitted to the tax authority and information submitted to the tax authority as prescribed by the legal acts vesting powers of control in the tax authority. According to the assessment of criteria determining the level of risks, taxpayers shall be classified under one of the following three groups:

a. high risk (up to 20 per cent of taxpayers shall be included in the order of decreasing of the level of risks). For the purposes of this sub-point, it shall be considered that the taxpayer is not included in the high risk group within the validity period of the horizontal monitoring agreement, as prescribed by Chapter 65 of the Code;

b. medium risk;

c. low risk;

(3) the tax authority shall maintain an information system with regard to taxpayers and their assessment according to the criteria determining the level of risk thereof.

3. Taking account of the risk level of taxpayers, an annual plan for complex tax inspections shall be developed which includes the following information:

- (1) full name, TIN of the taxpayer subject to inspection;
- (2) date of drawing up the last complex tax inspection conducted at the taxpayer;
- (3) risk level of the taxpayer;
- (4) period of conducting the complex tax inspection.

4. The annual plan for complex tax inspections shall be drawn up taking account of the following mandatory requirements:

- (1) taxpayers included in the high risk group shall constitute at least 70 per cent of the taxpayers subject to inspection under the plan;
- (2) taxpayers included in the low risk group shall constitute maximum five per cent of the taxpayers subject to inspection under the plan.

5. The head of the tax authority shall approve the annual plan for complex tax inspections until 1 June, inclusive, of each tax year for the period between 1 July of the tax year of approval of the plan and 1 June of the tax year following the approval of the plan.

6. Upon the consent of the Prime Minister of the Republic of Armenia, changes may be made to the annual plan for complex tax inspections which shall be approved by the head of the tax authority.

7. The plan for complex tax inspections and changes to the plan shall enter into force in one month, following the approval by the head of the tax authority.

8. When approving the annual plan for complex tax inspections and making changes thereto, the tax authority shall ensure — within three working days after approving

the plan or making changes — the posting thereof on the official website of the tax authority, including therein the following information:

- (1) full name, TIN of the taxpayer subject to inspection;
- (2) date of drawing up the act of the last complex tax inspection conducted at the taxpayer.

### **Article 337. Frequency of complex tax inspections**

1. Depending on the level of risk, complex tax inspections shall be carried out at the same taxpayer with the following frequency:

- (1) in case of high risk, not more frequently than once in the tax year;
- (2) in case of medium risk, not more frequently than once in three successive tax years;
- (3) in case of low risk, not more frequently than once in five successive tax years.

2. When approving the annual plan for complex tax inspections and/or making changes thereto in compliance with Article 336 of the Code, the frequency of inspections prescribed by part 1 of this Article shall be applied on the basis of the level of risk of the taxpayer in accordance with the results of the tax year serving as a ground for the approval of the plan.

3. Restrictions prescribed by part 1 of this Article shall not extend to thematic tax inspections.

4. Restrictions prescribed by part 1 of this Article shall not extend to the cases of complex tax inspections when:

- (1) complex tax inspection is carried out on the basis of the written assignment of the Prime Minister of the Republic of Armenia;

- (2) written information on harm to the lawful interests of the state or such threat, including on concealing or understatement of taxable objects, tax bases or violation of the requirements of the legal acts vesting powers of control in the tax authority has been received from state or local self-government bodies, organisations or natural persons;
- (3) taxpayer has not, within the tax year of drawing up the plan or preceding it, submitted tax calculation reports with respect to at least two reporting periods, except for the cases when the taxpayer, as prescribed by the Code, does not have an obligation to submit a tax calculation report;
- (4) complex tax inspection refers to the legal predecessor(s) of the corporate successor of the organisation inspected with complex tax inspection or the legal successors of the organisation included in the annual plan for complex tax inspections;
- (5) complex tax inspection is carried out in an organisation having submitted an application for commencing a liquidation process or based on an application submitted on the ground of removing the individual entrepreneur from state record-registration in cases prescribed by the Code or at an individual entrepreneur removed from record-registration;
- (6) taxpayer (head of the executive body) or the official replacing him/her has submitted an application on carrying out a complex tax inspection;
- (7) more than one violation of requirements for the documentation of transactions of supply or transportation of goods prescribed by the Code have been recorded as a result of operational and intelligence measures carried out at the taxpayer in the tax year. In the case prescribed by this point a letter of instruction on complex tax inspections may only be issued in the given tax year;
- (8) complex tax inspections or inspections of the limits of tax base for environmental tax or base limits (restrictions) of natural resources utilization fees are carried out at

the taxpayers included in the annual inspection plan of the tax authority or any of the relevant authorised bodies;

(9) violations — committed by the taxpayer — of the requirements of the legal acts vesting powers of control in the tax authority have been recorded at the same taxpayer as a result of counter tax examination;

(10) complex tax inspection has been ordered in compliance with the Criminal Procedure Code of the Republic of Armenia. The complex tax inspections referred to in this point shall be carried out upon the reasoned decision of the inquest body or the investigator within the scope of issues and within the period specified in the decision. Carbon copy of the reasoned decision of the inquest body or the investigator together with the letter of instruction on inspection shall be provided to the taxpayer (head of the executive body) or the official replacing him/her;

(11) complex tax inspection is carried out upon the request of the state body authorised for privatisation of the state property, where the necessity of the inspection is conditioned upon the performance of preparatory works of privatisation of the taxpayer with the state participation of more than 51 per cent.

### **Article 338. Re-inspections**

1. Re-inspection shall be the complex tax inspection — carried out twice and more — of the reporting period and issues inspected with complex tax inspection at the taxpayer (in cases of re-organisation of the organisation within the periods inspected with complex tax inspection — at the legal successor(s) also with respect to legal predecessors) by the tax authority within the framework of tax control which may be carried out on the following grounds:

(1) upon the application of the taxpayer (head of the executive body) or the official replacing him/her;

- (2) upon the written assignment of the Prime Minister of the Republic of Armenia;
- (3) where the results of the official investigation of the tax authority or the judgment having entered into force in the prescribed manner confirm the unlawful actions of the official(s) having carried out the previous complex tax inspection;
- (4) where the counter tax examination has recorded violations of requirements of the legal acts vesting powers of control in the tax authority with respect to the reporting periods inspected with complex tax inspection which have not been recorded by the complex tax inspection;
- (5) in case of appealing against the actions of the officials having carried out the complex tax inspection by way of superiority where the appeals commission of the tax authority has taken a decision on carrying out re-inspection;
- (6) where responses to the enquiries made to foreign states during the complex tax inspection have been received following the end of the maximum period prescribed for the suspension of the inspection under point 1 of part 4 of Article 341 of the Code, in case of necessity to conduct a re-inspection on the basis of response received;
- (7) in case re-inspection is ordered in compliance with the Criminal Procedure Code of the Republic of Armenia. Re-inspections referred to in this point shall be carried out upon the reasoned decision of the inquest body or the investigator, within the scope of issues and period specified in the decision. The carbon copy of the reasoned decision of the inquest body or the investigator together with the letter of instruction on inspection shall be provided to the taxpayer or the official thereof.

**Article 339. Letter of instruction on tax inspection**

1. Tax inspection shall be carried out on the basis of the written letter of instruction issued by the head of the tax authority, which includes the following:

- (1) day, month, year and number of the letter of instruction;

- (2) full name, TIN(s), location of the taxpayer (in cases of re-organisation of the organisation within the periods inspected with complex tax inspection — legal predecessor(s)), in case of a natural person — name, surname, passport data or public service number, TIN, place of record-registration;
- (3) position, name, surname of the official(s) carrying out the inspection, as well as in cases prescribed by the Code, name, surname, passport data or public service number of other person(s) participating in the inspection;
- (4) type of and legal grounds for inspection;
- (5) issues of inspection;
- (6) period under inspection, according to the type and issues of inspection;
- (7) time limits for inspection;
- (8) information about the rights and obligations of the taxpayer;
- (9) fields for making notes of the day of being notified of conducting the inspection and the day of actually starting the inspection.

2. The power of issuing a letter of instruction on carrying out thematic tax inspections upon the order of the tax authority may be transferred to the head of the tax inspectorate. The order of the head of the tax authority regarding the transfer of the power of issuing a letter of instruction referred to in this part shall be posted on the official website of the tax authority.

3. The letter of instruction for complex tax inspections shall be drawn up in two copies and shall — within three working days before starting the inspection (not including the day of notification of the inspection) — be submitted to the taxpayer (head of the executive body) or the official replacing him/her for information. Moreover:

- (1) in case of submitting in person, the taxpayer (head of the executive body) or the official replacing him/her shall be obliged to sign the two copies of the letter of

instruction, certifying the fact of being notified of the inspection, and one of the copies (the copy of the tax authority) shall be returned to the officials of the tax authority. In case of a refusal to sign and receive the letter of instruction, the official(s) carrying out the inspection shall make a relevant note thereof on the copies of the letter of instruction;

(2) where the taxpayer has in advance applied to the tax authority as prescribed by the tax authority suggesting that the letters of instruction, acts and protocols of inspections and examinations be submitted in electronic form, the letter of instruction may be submitted for information in electronic form. The taxpayer shall be considered to be notified of conduct of the inspection through a letter of instruction sent in electronic form on the day of electronic confirmation of the receipt of the letter of instruction. Where the taxpayer does not — within two working days following the day of sending the letter of instruction in electronic form — confirm in electronic form the fact of being notified of conducting the inspection, the letter of instruction shall be submitted for information as prescribed by points 1 or 3 of this part;

(3) in case of impossibility to submit the letter of instruction for information as prescribed by points 1 or 2 of this part (including in case of refusal to sign and receive the letter of instruction), the carbon copy of the letter of instruction sealed by the tax authority shall be sent to the taxpayer through postal communication, with a notification of delivery, to the most recent address in terms of chronological order based on the information about the taxpayer available with the tax authority. The document issued by the post office to the tax authority with regard to the delivery of letters shall be attached to the letter of instruction and kept with the tax authority. In case of failure to receive a return notification of delivery within five working days after sending the sealed carbon copy of the letter of instruction to the taxpayer through postal communication, the tax authority shall send the sealed carbon copy of the letter of instruction to the address of record-registration of the taxpayer (head of the executive body) or the official replacing him/her. The taxpayer shall be considered to



be notified of conducting the inspection through a letter of instruction sent by mail on the day of receiving the sealed carbon copy of the letter of instruction.

4. The letter of instruction for thematic inspections shall be drawn up in two copies and submitted to the taxpayer (head of the executive body) or the official replacing him/her for information in the following manner:

(1) in case of inspections of correctness of the application of cash register machines, the two copies of the letter of instruction shall be submitted for information in person during the inspection, until the last day, inclusive, of the time limit for the inspection referred to in the letter of instruction on inspection, but not later than immediately after detecting a violation. In case of inspection of correctness of the application of cash register machines, the note of the day of actually starting the inspection shall be made in the letter of instruction by the officials carrying out the inspection;

(2) in case of inspections of the accuracy of the baseline data and coefficients prescribed by the Code, correctness of application of excise stamps and/or marks, as well as correctness of formalisation of the recruitment of the worker as prescribed by the legislation and/or submission of a request for the registration of the worker, the two copies of the letter of instruction shall be submitted for information in person immediately upon starting the inspection;

(3) the taxpayer (head of the executive body) or the official replacing him/her shall be obliged to sign the two copies of the letter of instruction, certifying that he or she is notified of conducting the thematic tax inspection, and one of the copies shall be returned to the officials of the tax authority;

(4) in case of refusal to sign or receive the letter of instruction or absence of the taxpayer (head of the executive body) or the official replacing him/her, a note thereof, as well as of the day of submitting the letter of instruction for information shall be made on the copies of the letter of instruction, and the carbon copy of the letter of instruction sealed by the tax authority shall, within two working days, be sent to the

taxpayer as prescribed by point 3 of part 3 of this Article. The carbon copy of the letter of instruction sent by mail and sealed by the tax authority shall be sent to the taxpayer (head of the executive body) or the official replacing him/her also together with the draft act submitted as prescribed by Article 342 of the Code.

5. The absence of the taxpayer (head of the executive body) or the official replacing him/her or failure to sign the letter of instruction on inspection or refusal to receive the letter of instruction shall not serve as a ground for not conducting thematic tax inspections.

6. Persons not specified in the letter of instruction may not participate in the inspection. Changes and supplements to the composition of persons carrying out the inspection shall be made by the order of the official issuing the letter of instruction. The taxpayer (head of the executive body) or the official replacing him/her shall be informed in writing of a change or supplement by submitting carbon copy of the order before the participation of the persons carrying out the letter of inspection in the inspection, except for the inspections of correctness of application of cash register machines, when the peculiarities for such inspections, prescribed by point 1 of part 4 of this Article, apply.

7. Where the inspection does not start based on letter of instruction on inspection issued in compliance with this Article within 30 days following the day the taxpayer is considered to be notified of conducting the inspection, that letter of instruction shall be considered to be invalid on the day following the expiry of the time limits.

#### **Article 340. Issues of the tax inspection and the periods being inspected**

1. Issues of a complex tax inspection shall include the issues of inspection of accuracy of the compliance with the legal acts regulating tax relations, as well as other requirements of the legal acts vesting powers of control in the tax authority.

2. Period being inspected with complex tax inspection shall cover:

(1) with respect to all issues envisaging an obligation to submit tax calculation reports following the end of the reporting period — all the reporting periods covering the expired time limits for submitting the tax calculation reports as of the day of issuing the letter of instruction on inspection and not inspected with complex tax inspection;

(2) with respect to issues not envisaging an obligation to submit tax calculation reports or envisaging an obligation to submit tax calculation reports before the beginning of the reporting period — all the periods not inspected with tax inspection until the end of the inspection.

3. For the purposes of this Section:

(1) the beginning of the period being inspected with complex tax inspection shall be considered to be the day following the day when the period inspected under the given issue ends;

(2) where thematic tax inspections have been carried out at the taxpayer within the period not inspected with complex tax inspection, the beginning of the period being inspected under an issue inspected with thematic tax inspection shall be considered to be the day following the day when the period inspected under the given issue ends;

(3) where no complex tax inspection has been carried out at the taxpayer, the beginning of the period being inspected shall be considered to be the day of state registration of the organisation or record-registration as an individual entrepreneur or appointment as a notary;

(4) in case of entry into force of new requirements of the legislation vesting powers in the tax authority, the beginning of the period being inspected shall be considered to be the day of entry into force of the relevant legal act;

(5) the end of the period being inspected with complex tax inspection shall be considered to be the last day of the last reporting period being inspected under the issue prescribed by point 1 of part 2 of this Article, and under the issues provided for by point 2 of part 2 of this Article — the day when the inspection ends.

4. In case of a re-inspection, the issues of complex tax inspection shall include the issues of the periods previously inspected with complex tax inspection(s).

5. The issues of thematic tax inspection shall include the issues — according to the types of thematic inspections under part 3 of Article 335 of the Code — of compliance thereof with the requirements of the legislation vesting powers of control in the tax authority. The beginning of the period being inspected for the issues of thematic tax inspections shall be considered to be the day following the period inspected with previous complex tax or thematic tax inspection under the same issue. The end of the period being inspected for the issues of thematic tax inspections shall be considered to be the day when the inspection ends.

6. When new circumstances and/or necessity arise during the inspection, upon the order of the official issuing the letter of instruction the issues of inspection may — on the basis of the written report of the official(s) carrying out the inspection or at the suggestion of the taxpayer — be changed or supplemented with new issues or the periods being inspected may be supplemented with new periods being inspected. The taxpayer (head of the executive body) or the official replacing him/her shall be informed in writing of the change through submission of the carbon copy of the order. In case of a complex tax inspection, the beginning of the inspection of a newly-supplemented issue or the period being inspected shall be considered to be the fourth working day following the day of handing the carbon copy of the order, and in case of a thematic tax inspection, the day of handing the carbon copy of the order, except for the inspections of correctness of application of cash register machines, when the peculiarities for such inspections, prescribed by point 1 of part 4 of Article 339 of the Code, apply.

#### **Article 341. Time limits for tax inspections**

1. The time limits for each tax inspection at the taxpayer may, upon the letter of instruction on inspection, be prescribed to cover not more than 15 consecutive working days. The first day of inspection shall be considered to be the day of actually starting the inspection, and the taxpayer (head of the executive body) or the official replacing him/her (in case prescribed by point 1 of part 4 of Article 339 of the Code, the official carrying out the inspection) shall make a relevant note thereof on the tax authority's copy of the letter of instruction on inspection. When conducting thematic tax inspections (including in case of refusing to become familiar with and receive the letter of instruction), the day of actually starting the inspection shall be considered to be the day of submitting the letter of instruction for information, except for inspections of correctness of application of cash register machines, when the peculiarities for such inspections, prescribed by point 1 of part 4 of Article 339 of the Code, apply.

2. By the order of the official issuing the letter of instruction on the basis of the written report of the official(s) carrying out the tax inspection, the time limits prescribed by part 1 of this Article may be extended for up to ten consecutive working days, and in case of a complex tax inspection at the taxpayer having declared sales turnover or gross income of three billion and more based on the results of any tax year of the period being inspected — up to 75 consecutive working days. The taxpayer (head of the executive body) or the official replacing him/her shall be informed in writing of the extension of the period of inspection through submission of carbon copy of the order not later than the day, inclusive, when the time limits for the inspection referred to in the letter of instruction ends or the time limits for inspection extended by the order ends, except for the inspections of correctness of application of cash register machines when the peculiarities for such inspections, prescribed by point 1 of part 4 of Article 339 of the Code, apply.

3. In case necessity for verifying certain information arises during the inspection or as a result of a natural disaster or under other unforeseen circumstances making the inspection impossible, the inspection may be suspended by the order of the official having issued the letter of instruction on the basis of the written report of the official(s) carrying out the inspection until the elimination of the ground for suspension, but not more than for 90 working days, except for the cases prescribed by part 4 of this Article.

4. The following shall make an exception to the time limits referred to in part 3 of this Article:

(1) cases of making enquiries to foreign states when the inspection is suspended on the tenth day, inclusive, following the day of receiving the response to the enquiry, but not more than for 180 days;

(2) cases of making enquiries to bodies conducting criminal proceedings, when the inspection is suspended until the receipt of the response to the enquiry but not later than the tenth day, inclusive, following the day of receiving the response to the enquiry;

(3) cases of the documents relating to the inspection being seized on the basis of the decision of the inquest, preliminary investigation body or the judgment of the court, when the inspection is suspended until the return thereof but not later than the tenth working day, inclusive, following the day of returning the documents.

5. The taxpayer (head of the executive body) or the official replacing him/her shall be informed in writing of suspension of the inspection (except for inspections of correctness of application of cash register machines) through submission of carbon copy of the order until the working day, inclusive, preceding the day of suspension referred to in the order, but not later than the working day, inclusive, preceding the end of the time limits for inspection or the extended time limits for inspection referred to in the letter of instruction. The taxpayer (head of the executive body) or the official

replacing him/her shall be informed in writing of the extension of the time limits for suspension of the inspection through submission of carbon copy of the order not later than the last working day, inclusive, of the suspension of inspection. The taxpayer (head of the executive body) or the official replacing him/her shall be informed in writing of resumption of the suspended inspection through submission of carbon copy of the order but not later than the working day, inclusive, preceding the resumption of the inspection. The order suspending the inspection shall mandatorily state the relevant grounds for suspension of the inspection prescribed by this Article.

6. The total length of the actual time limits for inspection (which does not cover the period of suspension of the inspection) may not exceed 25 consecutive working days, and in case of complex tax inspections at the taxpayer having declared sales turnover or gross income of three billion and more based on the results of any tax year of the period being inspected — 90 consecutive working days.

7. The order extending the time limits for inspection or suspending the inspection or extending the time limits for suspension or resuming the suspended inspection shall be issued by the official issuing the letter of instruction, and it shall enter into force starting from the day following the day of handing the copy thereof to the taxpayer (head of the executive body) or the official replacing him/her. In cases of refusal to receive the orders, referred to in this part, a relevant note thereof shall be made on the carbon copy of the relevant order which is sent to the taxpayer as prescribed by point 3 of part 3 of Article 339 of the Code, and it shall be considered to be handed to the taxpayer (head of the executive body) or the official replacing him/her on the day of sending by mail for the first time.

8. The inspection shall be considered to be resumed starting from the day following the day of expiry of the deadlines for suspending the inspection prescribed by this Article.

## **Article 342. Summarisation of the results of tax inspection**

1. After the end of the tax inspection, where within ten working days, based on summarisation of the results of the inspection, violations of compliance with the legal acts regulating tax relations, as well as with other requirements of the legal acts vesting powers of control in the tax authority are detected, the official(s) carrying out the inspection shall draft an inspection act in the form prescribed by the tax authority in two copies, which shall be signed by the official(s) carrying out the inspection and shall be submitted to the taxpayer (head of the executive body) or the official replacing him/her as prescribed by part 8 of this Article within three working days following the day of drawing it up. In case violations are not detected as a result of the inspection, the official(s) carrying out the inspection shall — within the time limits prescribed by this part — draw up an inspection act (without drafting the act) in two copies, which shall be signed by the official(s) carrying out the inspection and shall, as prescribed by part 8 of this Article, within three working days following the day of drawing it up, be submitted to the taxpayer (head of the executive body) or the official replacing him/her.

2. The taxpayer (head of the executive body) or the official replacing him/her may submit objections to the draft act or inform in writing (including by making notes on the draft act) of the absence of objections within ten working days following the day of receiving the draft act. The objections shall be submitted in writing, handing it in person to the officials carrying out the inspection or in the case prescribed by point 2 of part 3 of Article 339 of the Code — in electronic form or through postal communication. If objections to the draft act are not received (including through postal communication) until the third working day, inclusive, following the expiry of the time limits prescribed by this part, then within two working days following that day, and if objections are received or the absence of objections is notified in writing or the draft act sent by mail to the tax authority for the second time is returned, then within three working days following the day of receipt or notification or return, the



official(s) carrying out the inspection shall draw up an inspection act in the form prescribed by the tax authority in two copies and submit to the taxpayer (head of the executive body) or the official replacing him/her as prescribed by part 8 of this Article. Where the taxpayer is also an organisation with a state share, carbon copy of the act shall be sent to the relevant state administration body.

3. The time limits prescribed by parts 1 and 2 of this Article for submitting the act (draft) to the taxpayer may be extended, taking account of the time limits prescribed by part 8 of this Article.

4. The act (draft) drawn up as a result of the inspection shall include the following:

- (1) number of the act, day, month, year of drawing it up;
- (2) day, month, year and number of the letter of instruction on inspection;
- (3) position, name, surname of the official(s) carrying out the inspection;
- (4) full name, TIN(s), location of the taxpayer (in cases of re-organisation of organisations within the periods being inspected with complex tax inspection — legal predecessor(s)), in case of a natural person — name, surname, passport data or public service number, TIN, place of record-registration;
- (5) actual period (beginning and end) of the inspection;
- (6) issues covered by the inspection, the periods (beginning and end) being inspected with respect thereto;
- (7) concerning each issue, which is covered by the inspection and in respect of which a violation is detected:
  - a. description, period of violations, as well as the legal norms, the requirements of which have not been complied with (descriptive part);
  - b. legal grounds for imposing liability and imposing tax liabilities (reasoning part);

c. text for imposing the liability, adjustment of tax liabilities, calculation of tax liabilities subject to payment, calculation and recalculation of tax liabilities by indirect methods in cases and in the manner prescribed by the Code (final part);

(8) in case of failure to detect violations under the issue of inspection — fields for making relevant notes thereof;

(9) fields for making relevant notes of the day of handing to the taxpayer;

(10) in the draft — fields for make notes of the fact of not having objections;

(11) in the inspection act — the time limits for appealing it and the body, to which it may be appealed, including the court;

(12) in the inspection act — notes of accepting or not accepting the objections to the draft submitted by the taxpayer (head of the executive body) or the official replacing him/her.

5. The following shall be attached to the taxpayer's copy of the draft inspection act:

(1) carbon copy of the expert opinion sealed by the tax authority — in case of conducting an expert examination during the inspection;

(2) carbon copy of the statement of information concerning the examinations and analyses sealed by the tax authority, where the tax liabilities are imposed indirectly on the basis of assessment (re-assessment) of tax bases and tax liabilities of the taxpayer;

(3) carbon copies of documents with regard to the violations and the recording thereof, which are suitable and necessary for identifying and assessing the factual circumstances of violations detected through the inspection.

6. The documents prescribed by part 5 of this Article shall be considered an integral part of the inspection act.

7. Tax liabilities with respect to the violations detected through tax inspection may be imposed in the act (draft) where the statute of limitation for imposing tax liabilities

prescribed by the Code has not expired on the day of drawing up the draft. In case of absence — in the inspection act (draft) being drawn up in case of re-inspections — of changes in violations or tax liabilities under the inspection issues recorded during the previous inspection, they shall be stated in the same way, and in case of changes, the violations detected under the inspection issues shall be stated in the new wording, taking account of the statutes of limitation for imposing tax liabilities under the Code. Tax liabilities with respect to new violations detected through re-inspection within the periods being re-inspected may be imposed in the act (draft), where the statute of limitation for imposing tax liabilities prescribed by the Code has not expired on the day of drawing up the draft of the re-inspection act.

8. In case of tax inspections:

(1) in case of submitting the inspection act (draft) in person, the taxpayer (head of the executive body) or the official replacing him/her shall be obliged to sign the two copies of the act (draft), certifying that he or she has received the act (draft), and one of them (the copy of the tax authority) shall be returned to the official of the tax authority. In case of handing in person, the act (draft) shall be considered to be handed to the taxpayer on the day of receiving the act (draft), and the taxpayer (head of the executive body) or the official replacing him/her shall make a note thereof on the act (draft). In case of handing in person, the act shall enter into force from the day following the day of its receipt by the taxpayer (head of the executive body) or the official replacing him/her. In case of refusing to sign and receive the act (draft), a relevant note thereof shall be made on the copies of the act (draft);

(2) in the case referred to in point 2 of part 3 of Article 339 of the Code, the act (draft) sent to the taxpayer in electronic form shall be considered to be handed to the taxpayer on the day of electronic confirmation of the receipt thereof. Where the taxpayer does not — within two working days following the day when the act (draft) is sent in electronic form — confirm in electronic form the receipt of the act (draft), the act (draft) shall be submitted to the taxpayer as prescribed by points 1 or 3 of this

part. The taxpayer may — within the time limits prescribed by this Article — submit his or her objections to the draft act in electronic form. The day of submitting objections to the draft act to the tax authority shall be considered to be the day of receiving them in electronic form. The act sent in electronic form shall enter into force from the day following the electronic confirmation of its receipt;

(3) in case of impossibility to submit the act (draft) as prescribed by points 1 or 2 of this part (including the refusal by the taxpayer (head of the executive body) or the official replacing him/her to sign and receive it or the absence thereof), the act (draft) shall be sent to the taxpayer through postal communication, with a delivery notice. The tax authority shall send the act (draft) to the most recent address in terms of chronological order based on the information about the taxpayer available with the tax authority. The document issued by the post office to the tax authority with regard to the delivery of letters shall be attached to the tax authority's copy of the act (draft) and kept with the tax authority. In case of failure to receive a return notification with regard to the delivery within five working days after sending the act (draft) to the taxpayer through postal communication, the tax authority shall send the carbon copy (draft) of the act sealed by the tax authority to the address of record-registration of the taxpayer (head of the executive body) or the official replacing him/her. The act (draft) sent by mail shall be considered to be handed to the tax authority on the day of its receipt by the taxpayer (head of the executive body) or the official replacing him/her. The act sent by mail shall enter into force from the day following the day of its receipt by the taxpayer (head of the executive body) or the official replacing him/her. In case the taxpayer (head of the executive body) or the official replacing him/her does not receive the act (draft) sent by mail as prescribed by this part, the day of return of the act (draft) to the tax authority by the post office for the second time shall be considered to be the day of receipt of the act (draft) by the taxpayer (head of the executive body) or the official replacing him/her.

## CHAPTER 69

### *TAX EXAMINATIONS*

#### **Article 343. Tax examinations**

1. Tax examination is a procedure carried out within the scope of the powers of the tax authority as prescribed by this Chapter the purpose of which is to verify the compliance of exercising the powers by the tax authority to the requirements of the legal acts vesting such powers of control, prevent and preclude the violation of those requirements, detect them, impose tax liabilities as prescribed by the legal acts vesting powers of control in the tax authority and impose liability for the detected violations in the cases prescribed by this Section.

2. Within the scope of tax control, tax examinations shall be carried out using the following methods:

(1) office (internal) examination — within the scope of the powers of the tax authority, an examination carried out exclusively at the tax authority as prescribed by this Chapter for the purpose of verifying the accuracy of implementation of the requirements of the legal acts vesting powers of control in the tax authority;

(2) field examination — within the scope of the powers of the tax authority, an examination carried out with the taxpayer as prescribed by this Chapter exclusively for the purpose of verifying the accuracy of implementation of the requirements of the legal acts vesting powers of control in the tax authority.

3. The types of field examinations within the scope of tax control shall be:

(1) test purchase;

(2) measurement;

(3) counter-examination;

(4) examination of substantiation of the amounts subject to crediting to the unified account;

(5) examination carried out for the purpose of reimbursing the tax amount paid on the income of non-residents of the Republic of Armenia generated from the sources of the Republic of Armenia, or examination carried out in response to the inquiries of the authorised body of a foreign state in accordance with the provisions of the international treaties of the Republic of Armenia.

4. When carrying out field examinations, the officials carrying out the examination shall submit in writing to the taxpayer the list of documents and information related to the scope of the examination, beyond the scope of which no documents and information may be required from the taxpayer during the examination.

5. No tax liabilities shall arise as a result of tax examinations, except for the following cases:

(1) when violations detected by the tax authority as a result of the office (internal) examination are accepted and verified tax calculation reports are submitted by a taxpayer;

(2) when detecting — as a result of office (internal) examination — violations prescribed by Article 403 of the Code as a consequence of making excess deductions with respect to expenses made for acquiring goods from the turnover tax amount calculated on the income received from commercial (purchase and sale) activities by the taxpayer, as well as in the consequence of making excess deductions with respect to non-deductible and transferred amounts of turnover tax;

(3) when detecting — as a result of test purchase — violations of the procedure for registration of the operations for purchase and sale of foreign currency as prescribed by Article 414 of the Code, or violations of the rules for using cash register machines and/or for cash settlements made by cash register machines as prescribed by Article 416 of the Code;

- (4) when detecting — as a result of test purchase — violations of the rules for stamping with excise stamps and (or) labels as prescribed by Article 424 of the Code;
- (5) when detecting a deficit in stock-on-hand as a result of measurement;
- (6) when detecting violations prescribed by the Code as a result of examination of substantiation of amounts subject to crediting to the unified account.

6. Field examinations shall be carried out based on the written letter of instruction issued by the head of the tax authority, where the following shall be indicated:

- (1) day, month, year and the number of the letter of instruction;
- (2) full name and taxpayer identification number, place of location;
- (3) position, name, surname of official(s) carrying out the examination;
- (4) type, purpose of and legal grounds for the examination;
- (5) time span under examination;
- (6) term for carrying out the examination;
- (7) place(s) where the examination is carried out, as necessary — depending on the type of examination;
- (8) information on the rights and obligations of the taxpayer;
- (9) fields for making relevant notes on the day of being notified of the examination and the day of actual start of the examination.

7. The power for issuing a letter of instruction on field examination may be transferred to the head of the Tax Inspectorate by the order of the head of the tax authority. The order of the head of the tax authority on the transfer of the power for issuing a letter of instruction, referred to in this part, shall be posted on the official website of the tax authority.

8. Persons not referred to in the letter of instruction on field examination may not participate in the examination. Changes in and additions to the composition of persons carrying out an examination shall be made by the order of the official issuing the letter of instruction. The taxpayer (head of the executive body) or the official substituting him or her shall be informed in writing about the change or addition, by submitting the carbon copy of the order before the officials carrying out the examination participate in the examination except for the cases of test purchase where the specifics for those examinations prescribed by part 5 of Article 345 of the Code shall be applicable.

9. The absence of the taxpayer (head of the executive body) or the official substituting him or her or their failure to sign the letter of instruction or their refusal to accept the letter of instruction shall not serve as grounds for not carrying out the examinations prescribed by points 1 and 2 of part 3 of this Article.

10. After finishing the field examination, in case of detecting violations of legal acts regulating tax relations, as well as of implementation of other requirements of legal acts vesting powers of control in the tax authority, the official(s) carrying out an examination shall — within ten working days, based on the summary of the results of the examination and according to the types and purposes of the examination — draw up two copies of the draft protocol in the form prescribed by the tax authority on the results of the examination, which is signed by the official(s) carrying out the examination and is submitted to the taxpayer (head of the executive body) or the official substituting him or her within three working days following the day on which it has been drawn up, as prescribed by part 8 of Article 342 of the Code. The draft protocol on the results of the examination shall be deemed to be handed over within the relevant terms prescribed for the draft of the inspection act by part 8 of Article 342 of the Code. Where no violations are detected as a result of a field examination, as well as in the case of counter-examinations, the official(s) carrying out an examination shall — within the term prescribed by this part — draw up two copies of



the protocol on the results of the examination (without drawing up a draft) which is signed by the official(s) carrying out the examination, and is submitted to the taxpayer (head of the executive body) or the official substituting him or her within three working days following the day on which it has been drawn up, as prescribed by part 8 of Article 342 of the Code. The protocol on the results of the examination shall be deemed to be handed over within the relevant terms prescribed for the inspection act by part 8 of Article 342 of the Code.

11. The taxpayer (head of the executive body) or the official substituting him or her may submit objections related to the draft protocol or inform in writing (including by making notes on the draft protocol) about the absence of objections within ten working days following the day of receiving the draft protocol on the results of the field examination. The objections shall be submitted in writing, by handing it over personally to the officials carrying out the inspection or in the case prescribed by point 2 of part 3 of Article 339 of the Code — electronically or via postal services. If no objections (including via postal services) are received on the draft protocol prior to and including the third working day following the term referred to in this part, the official(s) carrying out the examination shall — within two working days following that day and, in the case of receiving objections or being informed in writing of the absence of objections or in case the draft protocol sent via post is returned to the tax authority for the second time — within three working days following the day of receipt or being informed of or returning the draft protocol — draw up two copies of the protocol on the results of the examination in the form prescribed by the tax authority, which is signed by the official(s) carrying out the examination and submitted to the taxpayer (head of the executive body) or the official substituting him or her as prescribed by part 8 of Article 342 of the Code. The draft protocol on the results of the examination shall be deemed to be handed over within the relevant terms prescribed for the inspection act by part 8 of Article 342 of the Code.

12. The terms for submitting the (draft) protocol to the taxpayer prescribed by parts 10 and 11 of this Article may be prolonged, taking into account the terms prescribed by part 8 of Article 342 of the Code.

13. In the cases prescribed by points 2-6 of part 5 of this Article, tax liabilities shall be imposed by protocols on the results of the examination and liability shall be imposed as prescribed by the Code and laws. Tax liabilities for the violations detected in the cases prescribed by this part may be imposed in the (draft) protocol where the statute of limitations for imposing tax liabilities, prescribed by the Code, has not expired on the date of drawing up the draft protocol.

14. According to the types of the examinations, in the (draft) protocol on the results of the examination the following shall be indicated in the form prescribed by the tax authority:

- (1) number of the protocol, day, month, year of drawing up the protocol;
- (2) day, month, year and the number of the letter of instruction on examination;
- (3) full name and taxpayer identification number, place of location;
- (4) position, name, surname of official(s) having carried out the examination;
- (5) type of the examination;
- (6) time span under examination;
- (7) actual time period (start and end) of carrying out the examination;
- (8) place(s) where the examination is carried out, as necessary — depending on the type of examination;
- (9) examination results;
- (10) with respect to the violations detected as a result of the examination:
  - a. description, time period of the violations, as well as the legal norms the requirements of which have not been complied with (descriptive part);

- b. legal grounds for imposing liability and imposing tax liabilities (reasoning part);
  - c. text for imposing the liability, adjustment of tax liabilities, calculation of tax liabilities subject to payment (final part);
- (11) in case no violations are detected during the examination — fields for making relevant notes thereon;
  - (12) fields for making relevant notes on the day of handing over to the taxpayer;
  - (13) relevant fields in the draft for making notes on not having objections;
  - (14) in the protocol — term of appeal thereof and the body to which it may be appealed, including the court;
  - (15) in the protocol — notes on accepting or not accepting the objections (which are attached to the protocol) on the draft protocol submitted by the taxpayer (head of the executive body) or the official substituting him or her.
15. The carbon copies of the documents related to violations and recording thereof, which are useful and necessary for revealing and assessing the factual circumstances of violations detected as a result of the examination shall be attached to the copy of the draft protocol on the results of the examination which is provided to the taxpayer.
16. The documents prescribed by part 15 of this Article shall be deemed to be the integral part of the protocol on the results of the examination.

#### **Article 344. Office (internal) examinations**

1. The purpose of office (internal) examination is to verify — through study and analysis of tax calculation reports and information submitted to the tax authority — the following:
- (1) accuracy of tax calculation report;

- (2) consistency of comparable indicators and data available in the same tax calculation report;
- (3) consistency of comparable indicators and data of different tax calculation reports submitted to the tax authority by the same taxpayer;
- (4) consistency of comparable indicators and data by tax calculation reports and in comparison with the information submitted to the tax authority;
- (5) compliance of the selection of tax systems (including special) by the taxpayer to the requirements of the legal acts vesting powers of control in the tax authority;
- (6) possible violations of the requirements of the legal acts vesting powers of control in the tax authority.

2. Office (internal) examinations shall be carried out exclusively in the tax authority in the procedure prescribed by the tax authority. Office (internal) examinations shall be carried out without the requirement to visit a taxpayer and submit additional documents, as well as without the requirement for the taxpayers to pay a visit and submit additional documents.

3. In case of detecting inaccuracies, discrepancies and/or violations as a result of office (internal) examination, except for the case prescribed by part 6 of this Article, a protocol on the results of the examination shall be drawn up in the form prescribed by the tax authority, which shall indicate the following:

- (1) number of the protocol, day, month, year of drawing up the protocol;
- (2) position, name, surname of official(s) having carried out the examination;
- (3) full name and the taxpayer identification number;
- (4) taxes and the relevant reporting period(s) during examination of which an inaccuracy, a discrepancy and/or a violation has been detected;

(5) violations (or possible violations) of the requirements of the legal acts vesting powers of control in the tax authority, description thereof.

4. In the case prescribed by part 3 of this Article the protocol signed by the official(s) having carried out the examination related to the results of the office (internal) examination shall — within three working days following the day on which it has been drawn up — be submitted to the taxpayer (head of the executive body) or the official substituting him or her, as prescribed by points 2 and 3 of part 8 of Article 342 of the Code, and shall be deemed to be handed over within the relevant terms prescribed for the inspection act by the same points.

5. The taxpayer (head of the executive body) or the official substituting him or her shall, within five working days following the day of receipt of the protocol referred to in part 4 of this Article:

(1) submit verified tax calculation reports in due procedure — in the case of agreeing with the recorded inaccuracies, discrepancies and/or violations;

(2) submit his or her written objections to the tax authority, which the tax authority shall use while implementing tax control — in the case of not agreeing with the recorded inaccuracies, discrepancies and/or violations.

6. In the case of revealing, as a result of office (internal) examination, underreporting of the turnover tax amount calculated as prescribed by the Code as a result of making excess deductions for expenses for acquiring goods from the turnover tax amount calculated on the income derived from commercial (purchase and sale) activities by the payer of turnover tax, as well as in the result of making excess deductions with respect to non-deductible and transferred amounts of turnover tax, a draft protocol shall be drawn up — within the terms prescribed by part 10 of Article 343 of the Code — on the results of the examination in the form prescribed by part 14 of the same Article, which shall not include the information prescribed by points 2, 7, 8, 11-13 of the same part. The draft protocol signed by the official(s) having carried

out the examination shall be submitted to the taxpayer (head of the executive body) or the official substituting him or her, as prescribed by points 2 and 3 of part 8 of Article 342 of the Code and shall be deemed to be handed over within the relevant terms prescribed for the inspection act by the same points.

7. In the case prescribed by part 6 of this Article the taxpayer (head of the executive body) or the official substituting him or her may submit objections related to the draft protocol within ten working days following the day of the receipt of the draft protocol on the results of the examination. The objections shall be submitted in writing, handing it over personally to the officials carrying out the inspection or in the case prescribed by point 2 of part 3 of Article 339 of the Code — electronically or via postal services. If no objections (including via postal services) are received on the draft protocol prior to and including the third working day following the term referred to in this part, a protocol on the results of the examination shall be drawn up within two working days following that day in the form prescribed by part 14 of Article 343 of the Code and, in the case of receiving objections or being informed in writing of the absence of objections or in case the draft protocol sent via post is returned to the tax authority for the second time — within three working days following the day of receipt or being informed of or returning the draft protocol, which shall not include the information prescribed by points 2, 7, 8, 11 and 12 of the same part. The protocol on the results of the examination signed by the official(s) having carried out the examination, shall be submitted to the taxpayer (head of the executive body) or the official substituting him or her as prescribed by points 2 and 3 of part 8 of Article 342 of the Code, and shall be deemed to be handed over and effective within the relevant terms prescribed for the inspection act by the same points.

#### **Article 345. Test purchases**

1. Tax authority may carry out test purchase(s) for the purpose of examining the compliance to the requirements of the procedures and rules prescribed for calculation

(assessment) of taxable objects, tax bases and tax liabilities of a taxpayer, issuing settlement documents, using cash register machines and/or cash settlements made by cash register machines, registration of the operations for purchase and sale of foreign currency, stamping with excise stamps and/or labels, as well as for the performance of currency transactions.

2. The following may serve as grounds for carrying out a test purchase:

- (1) absence of records on taxable objects, tax bases and tax liabilities as prescribed by legal acts regulating tax relations and/or absence of records prescribed by legal acts vesting powers of control in the tax authority or failure to submit information related to those records;
- (2) discrepancies of the physical volumes of production and turnover of separate goods included in the list prescribed by the Government of the Republic of Armenia, actual sales prices (including average sales prices), as well as the reports on the volumes of the performed works, provided services and actual prices thereof (including average), sums total of cash settlements made by cash register machines, data of settlement documents applied for the purpose of documentation of transactions and operations, tax calculation reports submitted to the tax authority and information submitted (including received from a third person) to the tax authority;
- (3) results of office (internal) examination carried out by the tax authority;
- (4) information on possible violations of the requirements of legal acts vesting powers of control in the tax authority submitted (including received from a third person) to the tax authority;
- (5) information on possible violations of the requirements of legal acts vesting powers of control in the tax authority revealed as a result of operational and intelligence measures initiated by the tax authority;
- (6) other information received as prescribed by law.

3. Test purchases shall be carried out based on the letter of instruction issued in accordance with part 6 of Article 343 of the Code. Where test purchase is carried out by another person (upon written consent of the person), the information on that person (name, surname, passport details or public service number — in the case of a natural person; taxpayer identification number, full name of the organisation, place of location — in the case of an organisation and individual entrepreneur) shall be necessarily indicated in the letter of instruction on test purchase. The term for carrying out a test purchase(s) by the same letter of instruction may not exceed ten consecutive working days.

4. More than one test purchase may be carried out within the scope of the letter of instruction issued for test purchase and within the terms for carrying out the test purchases as mentioned in the letter of instruction.

5. The letter of instruction on test purchase shall be submitted to the taxpayer (head of the executive body) or the official substituting him or her for information at the moment of detecting violations as a result of test purchase, and in case no violations are detected — after performing the test purchase(s), but not later than on the last day of the term mentioned in the letter of instruction. The note on the day of actual starting date of the test purchase shall be made by the officials carrying out the test purchase. If a taxpayer (head of the executive body) or the official substituting him or her refuses to sign and accept the letter of instruction, the carbon copy of the letter of instruction sealed by the tax authority shall be forwarded to the taxpayer as prescribed by point 3 of part 3 of Article 339 of the Code.

6. In the case of detecting violations of the requirements of procedures and rules referred to in part 1 of this Article as a result of test purchase(s), on the day of submitting the letter of instruction two copies of the protocol on violations made during the test purchase shall be drawn up in the form prescribed by the tax authority which shall indicate:



- (1) day, month, year of drawing up the protocol and its number;
- (2) day, month, year and the number of the letter of instruction;
- (3) full name and taxpayer identification number;
- (4) position, name and surname of the official(s) of the tax authority having carried out the test purchase;
- (5) where test purchase is carried out by another person (upon written consent of the person), information on that person (name, surname, passport details or public service number — in the case of a natural person; taxpayer identification number, full name of the organisation, place of location — in the case of an organisation and an individual entrepreneur);
- (6) actual term (moment) of carrying out the test purchase that records the violation;
- (7) position, name, surname of the worker supplying (selling) goods, performing works, providing services and/or making cash settlement on behalf of the taxpayer;
- (8) results of the test purchase (including violations of the requirements of the procedures and rules referred to in part 1 of this Article);
- (9) fields for making relevant notes on the day of handing over to the taxpayer;
- (10) relevant fields for making notes related to objections.

7. Two copies of the protocol on the violations, prescribed by part 6 of this Article, shall be submitted to the taxpayer (head of the executive body) or the official substituting him or her on the day of drawing up the protocol. The protocol shall be signed by the person(s) carrying out the test purchase and the taxpayer (head of the executive body) or the official substituting him or her, as well as the worker supplying (selling) goods, performing works, providing services and/or making cash settlements on behalf of the taxpayer. The taxpayer (head of the executive body) or the official substituting him or her shall make a note on the tax authority's copy of the protocol on having received it and shall hand it over to the official of the tax authority and, in the

case of having objections with regard to the protocol — shall make a note about it in the protocol. In the case of refusal to sign and accept the protocol on the violations, the official(s) carrying out the test purchase shall make a relevant note about it on the copies of the protocol, and the carbon copy of the protocol sealed by the tax authority shall be forwarded to the taxpayer with the draft protocol on the results of the examination.

8. In case of detecting — as a result of the test purchase — violations of the requirements of the procedures and rules referred to in part 1 of this Article, a draft protocol on the results of the examination shall be drawn up — within the terms and in the manner prescribed by part 10 of Article 343 of the Code — and submitted to the taxpayer or the official thereof in the form prescribed by part 14 of the same Article, where information on all the previous purchases carried out within the scope of the letter of instruction on test purchase shall also be indicated. The carbon copy of the protocol on the violations shall also be attached to the draft protocol on the results of the examination. The protocol on the results of the examination shall be submitted to the taxpayer (head of the executive body) or the official substituting him or her in the manner and within the terms prescribed by part 11 of Article 343 of the Code. The provisions on imposing liability and tax liabilities with respect to the detected violations, prescribed by sub-points “b” and “c” of point 10 of part 14 of Article 343 of the Code, shall be included in the (draft) protocol on the results of the examination only in the cases prescribed by points 3 and 4 of part 5 of the same Article.

9. If no violations are detected as a result of the test purchase, a protocol on the results of the examination shall be drawn up — within the terms and in the manner prescribed by part 10 of Article 343 of the Code — and submitted to the taxpayer (head of the executive body) or the official substituting him or her in the form prescribed by part 14 of the same Article, where information on all the purchases carried out within the scope of the letter of instruction on test purchase shall be indicated. In the cases prescribed by part 10 of this Article, the carbon copy of the

document on returning goods shall be attached to the protocol related to the results of the examination.

10. As a result of test purchase(s), the good(s) acquired through test purchase(s) shall — after submission of the letter of instruction by the official of the tax authority having carried out the test purchase, but not later than the terms for returning the goods acquired through test purchase referred to in part 13 of this Article — be returned to the taxpayer (head of the executive body) or the official substituting him or her or the worker supplying (selling) goods, performing works and/or making cash settlement, provided that marketable condition and consumption properties thereof have not changed after the purchase, drawing up two copies of the document on returning goods in the form prescribed by the head of the tax authority.

11. The taxpayer (head of the executive body) or the official substituting him or her or the worker supplying (selling) goods, performing works and/or making cash settlement shall accept the goods, return the received amount by the actual conditions of the performed transaction, irrespective of whether or not a settlement document has been issued (or whether or not a cash register receipt has been provided) in the prescribed manner or the amount referred to in the settlement document and:

(1) where a cash register receipt has been provided during the test purchase, the goods shall be returned with the receipt, the good(s) subject to return shall be accepted, the received amount shall be returned and goods shall be returned through a cash register machine in the prescribed manner;

(2) where a settlement document other than the cash register receipt has been issued in the prescribed manner during the test purchase, the goods shall be returned based on the settlement document, the goods subject to return shall be accepted, the received amount shall be returned, the series, number and the amount subject to return shall be indicated in the settlement document on returning the goods, and the taxpayer shall cancel the settlement document in the manner prescribed;

(3) where some part of the sold goods is returned, the amount equivalent to the returned goods shall be returned, all goods shall be returned through a cash register machine in the prescribed manner or the taxpayer shall issue an adjusting settlement document in the prescribed manner, and a new receipt shall be printed via a cash register machine and provided (for goods not returned) with respect to the payment made by the person carrying out the test purchase for goods not subject to return.

12. The document on returning goods drawn up for returning the sold goods shall be signed by the taxpayer (head of the executive body) or the official substituting him or her, the person(s) having carried out the test purchase and the worker supplying (selling) goods and/or making cash settlement on behalf of the taxpayer and the (tax) payer (head of the executive body) or the official substituting him or her. The objections with regard to the document on returning the goods shall be submitted in writing, and in the case of refusal to receive or sign the copy of the document the official(s) having carried out the examination shall make a relevant note about it in the document on returning goods.

13. Goods acquired through test purchase(s) shall be returned within the following terms:

(1) medication, veterinarian drugs, perishable food stuffs as defined pursuant to sanitary regulations and hygienic standards prescribed by legislation of the Republic of Armenia, animals, products of animal origin, raw material of animal origin, feedstuff, feed concentrates, plants and plant products shall be returned immediately during the test purchase at the moment of submitting the letter of instruction;

(2) goods not mentioned in point 1 of this part, having an expiration date shall be returned before the end of the time period for carrying out the test purchases, referred to in the letter of instruction on test purchase, but not later than ten days before the product expiration date or immediately, where the expiration date of the goods is less than ten days;

(3) goods that do not comply with security requirements at the time of the test purchase, as prescribed by law during the stages of importing, exporting, producing, processing, recycling, packaging, marking, transporting, storing, selling food stuff, substances and food additives in contact with food stuff, as well as the goods not mentioned in points 1 and 2 of this part shall be returned before the end of the time period for carrying out test purchases as mentioned in the letter of instruction on test purchase.

14. The procedure for disposing financial resources for test purchases and the acquired and not returned goods shall be approved by the Government of the Republic of Armenia.

15. The procedure and conditions of carrying out the test purchases prescribed by this Article shall be applied also during the thematic inspection on the accuracy of using cash register machines by the tax authority.

#### **Article 346.       Measurements**

1. The tax authority may take measurements for the purpose of calculating (assessing) taxable objects, tax bases and tax liabilities of a taxpayer, as well as of verifying the actual volumes of production of goods, extraction of minerals, sales, goods turnover, performance of works and/or provision of services of the taxpayer, deficit in stock-on-hand at places of supply or storage of goods, as well as the actual sales prices (including average sales prices). The following may serve as grounds for carrying out measurements:

(1) absence of records on taxable objects, tax bases and tax liabilities as prescribed by legal acts regulating tax relations and/or absence of records prescribed by legal acts vesting powers of control in the tax authority or failure to submit information related to those records;

(2) discrepancies in the reports on the physical volumes of production and turnover of separate goods included in the list prescribed by the Government of the Republic of Armenia, actual sales prices (including average sales prices), as well as of the reports related to the volumes of the performed works, provided services and actual prices thereof (including average), discrepancies in the data on sums total of cash settlements made by cash register machines, in the data on settlement documents applied for the purpose of documentation of transactions and operations, in tax calculation reports submitted to the tax authority and information submitted (including received from a third person) to the tax authority;

(3) results of office (internal) tax examination carried out by the tax authority;

(4) results of analysis of taxable objects, tax bases and tax liabilities of taxpayers carried out by the tax authority, on which the taxpayer has been notified before carrying out the measurement;

(5) information revealed as a result of operational and intelligence measures of the tax authority related to possible violations of the requirements of legal acts vesting powers of control in the tax authority;

(6) other information received as prescribed by law.

2. Measurement is an examination carried out by the tax authority with immediate participation of the taxpayer or the official thereof or the representative thereof (where necessary, involving the representative of the relevant authorised body or an independent expert) which is aimed at verifying:

(1) actual volumes of production of goods, extraction and sales of minerals, turnover of goods, performance of works and/or provision of services exclusively during the time period intended for carrying out the measurement, as well as the actual sales prices (rates);

(2) actual deficit in stock-on-hand with a taxpayer having exceeded the threshold of AMD 100 million of sales turnover in any month of the tax year or of the customs value of goods imported under the customs procedure “Release for domestic consumption” from the states not considered to be EAEU members, and with respect to goods imported from EAEU member states — of VAT base (without excise tax) as determined in the prescribed manner.

3. The total duration of all the measurements carried out within a tax year with a taxpayer may not exceed 30 working days, and in the case of subsoil users — 60 working days. The duration of one measurement may not exceed ten consecutive days and with a taxpayer having exceeded the threshold of AMD 100 million of sales turnover in any month of the tax year or of the customs value of goods imported under the customs procedure “Release for domestic consumption” from the states not considered to be EAEU members, and with respect to goods imported from EAEU member states — of VAT base (without excise tax) as determined in the prescribed manner — 15 consecutive days, except for the cases prescribed by part 6 of this Article.

4. Measurement shall be carried out based on the letter of instruction issued in accordance with part 6 of Article 343 of the Code, where in the case the representative of the relevant authorised body or an independent expert is involved in the measurement, the information (name, surname, position) on the representative involved in the measurement based on the order or the letter of instruction published by the head of the relevant authorised body or the information on the independent expert involved in the measurement as prescribed by the order of the head of the tax authority shall also be indicated.

5. Two copies of the letter of instruction on measurement shall — on the day of actual start of the measurement — be submitted to the taxpayer (head of the executive body) or the official substituting him or her for information, who shall be obliged to put a signature on the tax authority’s copy of the letter of instruction, thus confirming

that he or she is notified of taking measurement. The signed copy shall be returned to the officials having submitted it. In the case of involving the representative of the relevant authorised state administration body or an independent expert in the measurement, they may participate in the measurement only immediately after presenting the taxpayer or the official thereof the order of the head of the relevant authorised state administration body or the relevant supplement to the order or the letter of instruction of the head of the tax authority. In the case of refusal to sign and accept the letter of instruction, the carbon copy of the letter of instruction sealed by the tax authority shall be forwarded to the taxpayer as prescribed by point 3 of part 3 of Article 339 of the Code.

6. If it is impossible to complete the started measurement (due to temporary cessation of the activity, idleness caused by technical reasons and impossibility to carry out measurement (inventorying), strikes, adverse weather conditions and other similar circumstances), the officials taking measurement shall draw up a protocol in the form prescribed by the tax authority, which shall be signed by the officials carrying out the measurement and the taxpayer (head of the executive body) or the official substituting him or her. Based on the protocol drawn up as prescribed by this part, the course of measurement shall be suspended by the order of the official issuing the letter of instruction until elimination of the grounds for suspension. The taxpayer (head of the executive body) or the official substituting him or her shall be obliged to inform the tax authority about resuming the normal course of activity of the taxpayer, based on which the measurement shall actually begin or continue by the order of the official issuing the letter of instruction. The time period for temporary cessation of measurement upon the grounds referred to in this part shall not be included in the time period for carrying out the measurement, prescribed by the letter of instruction.

7. In case of obstruction of the measurement activities by the taxpayer (head of the executive body) or the official substituting him or her carried out in accordance with this Article, refusal to take inventory at the request of the officials of the tax authority



or to provide necessary documents related to the objectives of the measurement, the officials carrying out the measurement shall draw up a protocol which shall be grounds for imposing liability on the taxpayer (head of the executive body) or the official substituting him or her as prescribed by law.

8. For the purpose of carrying out measurements of physical volumes of extraction of minerals, the authorised bodies carrying out the inspection of the base limits (restrictions) of calculation of natural resources utilisation fee shall — in the manner prescribed by the Government of the Republic of Armenia — submit the baseline data (with relevant coordination marks) recorded during the last (previous) inspection. Tax authority shall — in the manner prescribed by the Government of the Republic of Armenia — provide the baseline data (with relevant coordination marks) recorded as a result of the measurements carried out pursuant to this Article to the authorised bodies carrying out the inspection of base limits (restrictions) of calculation of natural resources utilisation fee, for the purpose of application thereof in the course of the inspections.

9. As a result of the measurement, a draft protocol on the results of the examination shall be drawn up — within the terms and in the manner prescribed by part 10 of Article 343 of the Code — and submitted to the taxpayer (head of the executive body) or the official substituting him or her in the form prescribed by part 14 of the same Article, where in the case a representative of the relevant authorised body or an independent expert is involved in the measurement, the information (name, surname, position) on the representative involved in the measurement based on the order or the letter of instruction published by the head of the relevant authorised body or information on the independent expert involved in the measurement as prescribed by the order of the head of the tax authority shall also be indicated. The officials of the relevant authorised state administration body, involved in the measurement, or the independent experts (in case of being involved in the measurement) shall also be obliged to sign the draft protocol. The protocol on the results of the examination shall

be submitted to the taxpayer (head of the executive body) or the official substituting him or her in the manner and within the terms prescribed by part 11 of Article 343 of the Code (in compliance with the requirements prescribed by this part). The provisions prescribed by point 10 of part 14 of Article 343 of the Code shall be included in the (draft) protocol only if as a result of measurement a deficit in stock-on-hand is detected with the taxpayers as referred to in point 2 of part 2 of this Article.

10. Measurement for the purpose of detecting deficit in stock-on-hand (hereinafter referred to as deficit) in places of supply and/or storage of goods shall be carried out as follows:

(1) deficit shall be determined by taking steps in the following order:

- a. (quantitative-cumulative) recording of the actual deficit by inventorying;
- b. (quantitative-cumulative) determining of the documented stock-on-hand;
- c. determining the size of deficit, which is the positive difference of the documented and actual stock-on-hand. Within the meaning of this point, the size of deficit shall be determined for each merchandise, by taking into account the differences of deficits and surpluses of various types of goods as a result of sorting one and the same merchandise;

(2) on the day of actual start of the measurement, the official of the tax authority shall require that the taxpayer (head of the executive body) or the official substituting him or her take inventory of the actual stock-on-hand with participation of officials taking measurement at all the places of supply and storage of goods by drawing up protocols on the actual stock-on-hand by inventorying as prescribed by the tax authority, in which the actual stock-on-hand as the result of inventorying shall be recorded according to the separate places of supply and storage, as expressed in measurement units of sales, as well as shall be mentioned the persons accountable for pecuniary damages;

(3) two copies of the protocols on the actual stock-on-hand shall be drawn up as a result of inventorying as of the actual day of starting the measurement, which shall be signed by the taxpayer (head of the executive body) or the official substituting him or her, persons accountable for pecuniary damages and officials taking measurement that have participated in the inventorying. During the time period following that day — before drawing up a protocol on the results of inventorying, the changes in stock-on-hand shall be recorded separately and shall not be taken into consideration while calculating the goods deficit;

(4) documented stock-on-hand shall be determined by taking steps in the following order:

a. determining the opening balance. The data on the actual stock-on-hand, recorded as prescribed by the Code, and in case of absence thereof — the protocols on the actual stock-on-hand drawn up during the previous complex tax inspection or measurement by the tax authority shall be taken as grounds for determining the opening balance;

b. determining quantitative values of acquisition or production of goods. The settlement documents issued by suppliers or other persons, settlement and payment documents issued by the taxpayer, customs declarations, transit declarations, tax declarations at the time of import, cash register receipts, unilateral purchase acts (irrespective of whether or not those are deemed to be documents substantiating the expense in accordance with the Code), information received from the third person, bookkeeping, production and technological documents and other data of internal record-keeping, as well as the quantitative values of acquired or produced but undocumented goods shall serve as grounds for determining the quantitative values of the goods acquired or produced by the taxpayer;

c. determining the quantitative values of supplied or transported goods. Taxpayer's accompanying documents on supply or transportation, customs declarations, transit

declarations, tax declaration at the time of export, fiscal profit recorded by cash register machines (including the quantitative indicators reflected therein in accordance with the names of goods and commodity items) shall serve as grounds for the purpose of determining the quantity of the goods supplied or transported by the taxpayer;

d. determining the amount of losses as prescribed by Section 6 of the Code;

e. documented stock-on-hand shall be determined by adding to the opening balance the quantitative values of the acquisition and production of goods from the day of drawing up the protocol on the opening balance until the day of recording the actual balance of the inventory in accordance with this part, by deducting the quantitative values of goods supplied (transported) during that time period and the quantitative values of losses determined in accordance with the amounts prescribed by Section 6 of the Code and supported by documents;

(5) in case it is impossible to determine the price of goods (including indirect taxes) included in the composition of the size (quantity) of the deficit determined as prescribed by this part, the weighted average price of the sales (realisation) of the same goods supported by bilateral settlement documents with the taxpayer during the quarter when the deficit has been detected, and in case of absence thereof — the price determined by indirect methods as prescribed by the Code shall be deemed to be the price (value) of the goods;

(6) procedure for detecting the deficit in stock-on-hand prescribed by this part shall also be applied during complex tax inspections. Within the meaning of applying this procedure, the calculation of the actual and documented stock-on-hand and the size of deficit shall be determined only with respect to finished products and goods acquired or produced by the taxpayer;

(7) during complex tax inspections and examinations carried out by the tax authority, the documented stock-on-hand may also be determined based on the information included in the file created via accounting software provided by the taxpayer.

## **Article 347. Counter-examination**

1. During complex tax inspection of taxpayers tax authority may carry out counter-examinations with other taxpayer(s) having been a party to a transaction(s) with them only with respect to that (those) transaction(s) where it is necessary to verify the conditions of carrying out the transaction(s), documents of the transaction(s), data and information thereof.
2. The term for counter-examination of the taxpayer may not exceed ten consecutive working days.
3. The examination shall be carried out based on the letter of instruction issued in accordance with part 6 of Article 343 of the Code, where the full name and taxpayer identification number of the taxpayer shall also be indicated with whom a complex tax inspection has been conducted and a necessity for carrying out a counter-examination arose.
4. Two copies of the letter of instruction on examination shall — at least one working day before starting the examination — be submitted to the taxpayer (head of the executive body) or the official substituting him or her for information, in the procedure for complex tax inspections as prescribed by part 3 of Article 339 of the Code. The taxpayer shall be deemed to be notified about the examination within the relevant terms prescribed by part 3 of Article 339 of the Code. In case of refusal to sign and accept the letter of instruction, the carbon copy of the letter of instruction sealed by the tax authority shall be forwarded to the taxpayer as prescribed by point 3 of part 3 of Article 339 of the Code.
5. As a result of the examination, a protocol (without drawing up a draft) on the results of the examination shall — within the terms and in the manner prescribed by part 11 of Article 343 of the Code — be drawn up and submitted to the taxpayer (head of the executive body) or the official substituting him or her, where the provisions of point 10 of part 14 of Article 343 of the Code shall not be included.

6. Counter-examination shall be carried out irrespective of whether the reporting periods including the transaction(s) referred to in part 1 of this Article have been inspected or re-inspected with the taxpayer through complex tax inspection.

**Article 348. Examination of justification of amounts subject to crediting to unified account**

1. For the purpose of substantiation of the compensation amount of VAT with respect to transactions taxable at zero rate of VAT, of the compensation amount of VAT as of the twenty-first of the month following each reporting semester, of the compensation amount of excise tax in the case of performing transactions prescribed by points 1-3 of part 2 of Article 89 of the Code subject to crediting to the unified account, the tax authority shall carry out an examination of the substantiation of the amounts subject to crediting to the unified account based on the application of a taxpayer.

2. The term for each examination with the taxpayer, as prescribed by this Article, may be defined in the letter of instruction on examination for not more than 15 consecutive working days starting from the day of receipt of the application of the taxpayer by the tax authority. Where necessary, the term referred to in this part may — based on the written communication of the official(s) carrying out the examination — be prolonged for up to ten consecutive working days by the order of the official issuing the letter of instruction. The taxpayer (head of the executive body) or the official substituting him or her shall be informed in writing about prolongation of the term for examination of the substantiation of the amounts subject to crediting to the unified account, by submitting the carbon copy of the order not later than on the expiration date of the examination mentioned in the letter of instruction.

3. Examination of the substantiation of the amounts subject to crediting to the unified account shall be carried out based on the letter of instruction issued in accordance with part 6 of Article 343 of the Code. Two copies of the letter of instruction on

examination shall — on the day of starting the examination — be submitted to the taxpayer (head of the executive body) or the official substituting him or her for information, in the procedure and manner defined for complex tax inspections by part 3 of Article 339 of the Code. Taxpayer shall be deemed to be notified of carrying out the examination within the relevant terms prescribed by part 3 of Article 339 of the Code. In case of refusal to sign and accept the letter of instruction, the carbon copy of the letter of instruction sealed by the tax authority shall be forwarded to the taxpayer as prescribed by point 3 of part 3 of Article 339 of the Code.

4. The course of examination of the substantiation of the amounts subject to crediting to the unified account may — where there are grounds prescribed by part 3 of Article 341 of the Code — be suspended within the terms prescribed by parts 3 and 4 of the same Article by the order of the official issuing the letter of instruction. The suspension of the course of examination of the substantiation of the amounts subject to crediting to the unified account, prolongation of the term of suspension, resuming the suspended examination shall be carried out in the procedure and within the terms defined for tax inspections by Article 341 of the Code.

5. During the examination, the following shall be verified:

- (1) amounts not substantiated by the results of the previous examinations, as well as the amounts attributed to the transactions with regard to which the term for the examination has been suspended;
- (2) credibility of the data included in the unified calculation reports of VAT and excise tax submitted by the taxpayer;
- (3) sale turnover of transactions taxable at zero rate of VAT;
- (4) compliance of tax invoices for acquisitions with the requirements of the Code;
- (5) substantiation of the compensation amount of excise tax in case of performance of transactions prescribed by points 1-3 of part 2 of Article 89 of the Code.

6. The amounts subject to crediting to the unified account shall be deemed to be unsubstantiated by the results of the examination, where they are attributed to the restrictions on carrying out offsets (reductions) prescribed by Articles 72 and 93 of the Code. The offset of the amounts referred to in this part shall be deemed to be unsubstantiated only with respect thereto.

7. While determining the compensation amount of VAT and/or excise tax the amounts, referred to in part 1 of this Article, not substantiated by the examination, as well as the amounts with regard to which the examinations or inspections for substantiation have been suspended in the prescribed manner, shall not be taken into consideration.

8. The compensation amount of VAT with respect to transactions taxable at zero rate of VAT, subject to crediting to the unified account, as well as in the case of performance of transactions prescribed by points 1-3 of part 2 of Article 89 of the Code, calculation of the compensation amount of excise tax shall be carried out according to the reporting periods, and calculation of the compensation amount of VAT as of the twenty-first of the month following each reporting semester — as of that term.

9. By the results of each reporting period, the part of the compensation amount of VAT with respect to transactions taxable at zero rate of VAT that does not exceed twenty percent of the tax base of transactions taxable at zero rate of VAT performed during the reporting period, shall be subject to crediting to the unified account.

10. Crediting of VAT amounts to the unified account based on the applications of taxpayers — meeting the criteria prescribed by the Government of the Republic of Armenia — for up to AMD 20 million of the compensation amount of VAT with respect to transactions taxable at zero rate of VAT shall be carried out in the simplified procedure and within the terms prescribed by the Government of the Republic of Armenia.

11. As a result of the examination, a draft protocol on the results of the examination shall be drawn up — within the terms and in the manner prescribed by part 10 of



Article 343 of the Code — and submitted to the taxpayer (head of the executive body) or the official substituting him or her in the form prescribed by part 14 of the same Article. A protocol on the results of the examination shall be drawn up and submitted to the taxpayer (head of the executive body) or the official substituting him or her in the manner and within the terms prescribed by part 11 of Article 343 of the Code. The provisions prescribed by point 10 of part 14 of Article 343 of the Code shall be included in the (draft) protocol only in the case prescribed by point 6 of part 5 of the same Article.

12. The amounts subject to crediting to the unified account may be substantiated also during the complex tax inspections.

**Article 349. Examination carried out for the purpose of reimbursing tax amount charged from income received from sources of the Republic of Armenia by non-residents of the Republic of Armenia and for responding to inquiries of the authorised body of a foreign state in accordance with provisions of international treaties of the Republic of Armenia**

1. In accordance with the provisions of the international treaties signed on behalf of the Republic of Armenia or the Government of the Republic of Armenia, tax authority may carry out an examination with the taxpayers:

(1) to respond to the inquiries of the authorised body of a foreign state for the purpose of verifying the information related to the record-registration and economic activities of the taxpayer who is a party to a transaction performed with a foreign person, to tax liabilities, the fact, authenticity, volumes, value and prices of certain transactions thereof;

(2) for the purpose of reimbursing the tax amount charged from the income received from sources of the Republic of Armenia by non-residents of the Republic of Armenia.

2. The following shall serve as grounds for carrying out an examination:

(1) official inquiry to a tax authority made by the authorised body of a foreign state within the scope and in the manner provided for by the requirements of international agreements of the Republic of Armenia;

(2) necessity of reimbursing the taxpayer the tax amount charged from the income received from the sources of the Republic of Armenia based on the provisions of international agreements on excluding double taxation, signed on behalf of the Republic of Armenia or the Government of the Republic of Armenia.

3. The term for each examination with the taxpayer, prescribed by this part, may be defined by the letter of instruction on examination for not more than 15 consecutive working days.

4. The examination shall be carried out based on the letter of instruction issued in accordance with part 6 of Article 343 of the Code. Two copies of the letter of instruction on examination shall — at least one working day before starting the examination — be submitted to the taxpayer (head of the executive body) or the official substituting him or her for information in the procedure and manner defined for complex tax inspections by part 3 of Article 339 of the Code. The taxpayer (head of the executive body) or the official substituting him or her shall be deemed to be notified of carrying out the examination within the relevant terms prescribed by part 3 of Article 339 of the Code. In case of refusal to sign and accept the letter of instruction, the carbon copy of the letter of instruction sealed by the tax authority shall be forwarded to the taxpayer as prescribed by point 3 of part 3 of Article 339 of the Code.

5. The course of the examination prescribed by this Article shall — where there are grounds prescribed by part 3 of Article 341 of the Code — be suspended by the order of the official issuing the letter of instruction for the period prescribed by parts 3 and 4 of the same Article. The suspension of the course of the examination, prolongation of

the term of suspension, resuming the suspended examination shall be carried out in the procedure and within the terms defined for tax inspections by Article 341 of the Code.

6. During the examination, the following shall be verified:

(1) information with regard to the record-registration and economic activities of a taxpayer that is a party to the transaction, tax liabilities thereof, the fact, authenticity, volumes, value and prices of individual transactions;

(2) substantiation for refunding the tax amount charged from the income received from the sources of the Republic of Armenia by non-residents of the Republic of Armenia.

7. As a result of the examination, a draft protocol on the results of the examination shall be drawn up — within the terms and in the manner prescribed by part 10 of Article 343 of the Code — and submitted to the taxpayer (head of the executive body) or the official substituting him or her in the form prescribed by part 14 of the same Article. The protocol on the results of the examination shall be submitted to the taxpayer (head of the executive body) or the official substituting him or her in the manner and within the terms prescribed by part 11 of Article 343 of the Code. The provisions on imposing liability and tax liabilities with respect to the detected violations prescribed by sub-points “b” and “c” of point 10 of part 14 of Article 343 of the Code, shall not be included in the (draft) protocol referred to in this part.

## **CHAPTER 70**

### ***INFORMATION USED DURING TAX CONTROL***

#### **Article 350. Information used during tax control**

1. When exercising tax control, the tax authority shall use the following information:

(1) information, available to taxpayers or kept by them, only on transactions related to tax calculation, physical volumes of goods, goods movement, actual sales prices,

incomes paid by them or at their expense, withheld taxes, property or incomes, other information on the data required for the purposes of taxation, with regard to themselves, as well as other taxpayers, which shall be submitted to the tax authority in accordance with the requirements of the legal acts vesting powers of control in the tax authority;

(2) tax calculation reports submitted by taxpayers and information submitted to the tax authority by taxpayers in accordance with the requirements of other legal acts vesting powers of control in the tax authority;

(3) data from reports on physical volumes of production and turnover of individual goods included in the list prescribed by the Government of the Republic of Armenia, their actual sales prices (including average sales prices), as well as on volumes of performed works, provided services and their actual prices (including average sales prices), which taxpayers shall be obliged to submit to the tax authority as prescribed by the Government of the Republic of Armenia;

(4) information submitted by third parties. A third party shall mean a state administration or local self-government body, a taxpayer who shall submit to the tax authority information on a transaction or operation or activities of another taxpayer as prescribed by the Government of the Republic of Armenia, unless otherwise prescribed by this point. Information subject to mandatory submission to the tax authority by a third party shall include:

a. information on state registration (record-registration) of organisations and individual entrepreneurs submitted by bodies carrying out state registration (record-registration) of organisations and individual entrepreneurs as prescribed by law;

b. information on the issued passports and identification cards submitted by the authorised body maintaining the state register of population;

c. information on the issued permits and/or licences and record-registered notifications, submitted by the authorised body issuing permits or licences for or

record-registering notifications on carrying out a certain type of activity as prescribed by law;

d. information on the results of those inspections conducted among taxpayers by the bodies authorised to conduct inspections which relate to the financial or economic activities of the taxpayer;

e. information on the bank accounts opened by clients, submitted by the Central Bank of the Republic of Armenia, as well as by commercial banks. The information shall be submitted to the tax authority as prescribed by the Central Bank of the Republic of Armenia in concert with the tax authority;

f. information on property, its owners, registered rights to property, limitations and changes thereto, submitted by the relevant authorised bodies carrying out registration (record-registration) of property and/or registration (record-registration) of the rights and limitations to property;

g. information submitted by notaries in cases and in the manner prescribed by the Law of the Republic of Armenia “On notaries”;

h. information on securities accounts opened by clients and on stockholders of joint-stock companies, submitted by the central depository or other persons entitled to keep a register of security owners (nominees), in the manner and content prescribed by the Central Bank of the Republic of Armenia in concert with the tax authority. Information on transactions in securities shall be submitted in cases and in the manner prescribed by the Law of the Republic of Armenia “On securities market”;

i. information on imports to the Republic of Armenia, including information on the customs fees made, submitted by the tax authority;

(5) information submitted to the tax authority of the Republic of Armenia by the tax authorities of the EAEU member states in accordance with the EAEU legislation;

- (6) information received from state bodies of the Republic of Armenia not mentioned in point 4 of this part which the tax authority may also obtain from automated databases of these bodies in cases and in the manner prescribed by the Government of the Republic of Armenia;
- (7) data, constituting grounds for taxation, provided by the bodies conducting criminal proceedings;
- (8) data on taxpayers' recorded stock-on-hand;
- (9) data from the copy of the file created through the computer programme maintained by organisations obliged to do the accounting through computer programmes in accordance with the Law of the Republic of Armenia "On accounting";
- (10) information submitted to the tax authority on a voluntary basis which may be used solely for the indirect calculation of tax liabilities;
- (11) information revealed as a result of operational and intelligence activities of the tax authority;
- (12) other information obtained as prescribed by law.

2. For the purpose of obtaining additional information in relation to the received information, the tax authority may send a letter of inquiry to those who have submitted the information. The procedure for submitting information subject to mandatory submission by third parties and the additional information provided with regard to the letter of inquiry of the tax authority shall be prescribed by the Government of the Republic of Armenia.

3. The tax authority may obtain the information prescribed by this Article from the automated database of taxpayers based on the agreement concluded between these taxpayers and the tax authority.

4. Information constituting a banking secret shall be submitted to the tax authority as prescribed by law. Information constituting a banking, commercial, tax or any other

secret protected by law shall be kept by the tax authority as prescribed by the law of the Republic of Armenia.

## **CHAPTER 71**

### ***INDIRECT ASSESSMENT OF TAX BASES AND TAX LIABILITIES***

#### **Article 351. Indirect assessment of tax bases and tax liabilities**

1. During complex tax inspections, the tax authority shall carry out an indirect assessment (reassessment) of tax bases and tax liabilities of the taxpayer in the case any of the following grounds exist:

- (1) absence of accounting or of records pertaining to tax liabilities prescribed by the legislation;
- (2) failure to submit the information or documents prescribed for the calculation of tax liabilities;
- (3) failure to provide the officials conducting inspection with the copy of the file created through the computer programme for accounting in cases prescribed by the legislation;
- (4) unreliable data included in the tax calculation reports submitted to the tax authority.

2. Within the meaning of this Article, data included in the tax calculation reports submitted to the tax authority shall be considered as unreliable where:

- (1) based on the results of the measurements taken on the premises of the taxpayer in the course of any reporting period and the data of the tax calculation reports submitted to the tax authority for the same reporting period by the taxpayer, there is a positive difference of 20 and more percent between the calculated values of tax bases;

(2) based on the results of a test purchase carried out on the premises of the taxpayer in the course of any reporting period and the data having served as a basis for tax calculation reports (including accounting data) submitted to the tax authority for the same reporting period by the taxpayer, there is a positive difference of 20 and more percent between the prices;

(3) there is a positive difference of 20 and more percent between the information submitted to the tax authority for exercising tax control and the data of tax bases of tax calculation reports submitted to the tax authority for the same reporting period;

(4) as regards the transactions having served as a basis for taxation and carried out between dependent taxpayers, there is a positive difference of 20 and more percent from the comparable prices of these transactions in comparable circumstances.

3. Concepts prescribed by this Article shall be used in the following meanings:

(1) dependent taxpayer: a taxpayer whose decisions are predetermined by another taxpayer in a manner not prohibited by law (including related parties in accordance with the Code);

(2) market price: the price of goods, works and services which is formed due to the relationship of supply and demand for the same or, in the absence of such, similar goods, same works or same services in the market.

4. During the indirect assessment (reassessment) of tax bases and calculation of tax liabilities, the tax authority may apply the following methods:

(1) method of comparable prices: taxable objects and tax bases are assessed (reassessed) by comparing them with the market prices of the same or, in the absence of such, similar goods, same works or same services in comparable circumstances. The main condition for the application of the method of comparable prices is the existence of (any of) the baseline data on the market prices of the same or, in the absence of such, similar goods, same works or same services in comparable



circumstances in accordance with this Article. For the purpose of determining the market price of the transaction in question when applying the method of comparable prices, the comparable market prices may be adjusted having regard to the terms of the transaction in question and those of the compared transactions, the place of activity, the number of workers, the specialisation, turnover volumes, expenses, incomes, profitability; however, the comparable market price may be deducted by not more than 10 percent as a result of the adjustment;

(2) cost method: for the assessment (reassessment) of taxable objects, the market price of goods, works or services shall be determined as the sum total of the expenses related to the purchase, processing (where applicable) and other expenses recognised as costs and the mark-up with regard to the given goods, work or services. The main condition for the application of the cost method shall be the existence of (any of) the baseline data on the costs incurred and the mark-up added in one or more transactions with regard to the same or, in the absence of such, similar goods, same works or same services in comparable circumstances in accordance with this Article. For the purpose of determining the market price of the transaction in question when applying the cost method, the market price determined based on the comparable mark-up may be adjusted having regard to the terms of the transaction in question and those of the compared transactions, the place of activity, the number of workers, the specialisation, turnover volumes, expenses, incomes, profitability; however, the market price determined based on the comparable mark-up may be deducted by not more than 10 percent as a result of the adjustment;

(3) resale price method: for the purpose of assessment (reassessment) of taxable objects, the market price of goods shall be determined as the difference between the price of the subsequent sale (resale) of the same goods and the sales expenses incurred and the resale mark-up added to those goods by the reseller, excluding the price at which those goods were purchased by the reseller. When applying the resale price method, the mark-up added by the comparable reseller shall be taken into

account, provided that in the case of transactions with regard to the same or, in the absence of such, similar goods, same works or same services, the profitability usually applicable in the given sector is ensured. The main conditions for the application of the resale price method are the absence of information on the sales price of the goods in question or that the existing data is unreliable, the existence of a resale price for the goods in question and of sales expenses incurred by the reseller;

(4) profit split method: for the purpose of assessment (reassessment) of taxable objects for dependent taxpayers, the amount of profit which would have been distributed among the parties to the transaction had they not been dependent shall be calculated. The method of splitting the profit generated from the transaction assumes that each of the dependent taxpayers participating in the transaction receives that part of the total profit (income or loss) generated from the transaction in question which a person considered as non-dependent would anticipate when participating in an independent comparable transaction. The profit split method shall be applied in cases where transactions cannot be assessed separately due to the fact that they are related;

(5) comparable profit method: for the purpose of assessment (reassessment) of taxable objects for dependent taxpayers, the net profit which independent parties to the transaction would have generated in comparable circumstances shall be determined. The net profit generated in transactions carried out between dependent taxpayers shall be compared with the net profit (income) generated from one or more transactions with regard to the same or, in the absence of such, similar goods, same works or same services in comparable circumstances. Within the meaning of this point, net profit generated from transactions shall mean the positive difference between the income derived from these transactions and the expenses related thereto;

(6) method of number of hired workers: for the purpose of assessment (reassessment) of taxable objects, the proportion (in percentage terms) of the number of workers engaged in different types of activities in the total number of workers shall be determined and multiplied by the amount of the gross income derived as a result of

the implemented activities. The method of number of workers shall be applied where the proportion of the income derived as a result of a certain type of activities in the composition of the gross income derived as a result of carrying out different types of activities by the taxpayer is not clear;

(7) method of application of measurement results: this method shall be applied where based on the results of the measurements taken on the premises of the taxpayer during any reporting period for the purpose of assessment (reassessment) of tax bases and the data of the tax calculation reports submitted by the taxpayer for the same reporting period, there is a positive difference of 20 and more percent between the calculated values of tax bases:

a. the tax liabilities for the monthly or quarterly reporting periods during which the measurements were taken shall be adjusted in the amount of the positive difference revealed by the results of the measurements, and for the purpose of re-calculation of tax liabilities subject to annual reporting, only the adjustments of the monthly or quarterly reporting periods referred to in this sub-point shall be taken into account;

b. also the tax liabilities for monthly or quarterly reporting periods of the tax year during which no measurements were taken shall be adjusted based on the results of the measurements where measurements — all relating to different reporting months or reporting quarters — have been taken on the premises of the taxpayer at least four times during the tax year and there is a positive difference of 20 and more percent between the averaged result (arithmetic mean) of those measurements and the averaged value (arithmetic mean) of the tax bases calculated in the tax calculation reports submitted by the taxpayer for the same periods. For the purpose of re-calculation of tax liabilities subject to annual reporting, the adjustments for monthly or quarterly reporting periods during which no measurements were taken shall be done in the amount of the differences referred to in this sub-point;

c. the results of measurements taken during monthly or quarterly reporting periods shall be averaged by the arithmetic mean to one hour of measurement-taking (minutes shall be disregarded) and shall be calculated for all the working days of the monthly or quarterly reporting periods accordingly, having regard to the taxpayer's work schedule. In the case referred to in sub-point "b" of this point, the averaged results of measurements shall be calculated as the arithmetic mean of the values calculated as prescribed by this sub-point for the corresponding monthly or quarterly reporting periods. For the purpose of adjustment of tax liabilities of reporting periods, the results of measurements taken on holidays, as well as periods of termination of the activities of the taxpayer during a reporting period as prescribed by law, shall be disregarded;

(8) method of application of results of test purchases: this method shall be applied where there is a positive difference of 20 and more percent between the results of the test purchase carried out on the premises of the taxpayer during any reporting period as prescribed by law and the prices according to the data (including accounting data) having served as a basis for compiling the statements submitted for the same reporting period by the taxpayer. The tax liabilities for the monthly or quarterly reporting periods during which the test purchases were carried out shall be adjusted in the amount of the positive difference revealed by the results of the test purchase, and for the purpose of re-calculation of the tax liabilities subject to annual reporting, only the adjustments of the monthly or quarterly reporting periods referred to in this point shall be taken as a basis. Based on the results of the test purchase, the adjustments referred to in this point shall be carried out only with regard to those goods, works and services with regard to which test purchases have been carried out.

5. The following baseline data shall serve as a basis for the application of the methods of indirect assessment (reassessment) of taxable objects of taxpayers and calculation of tax liabilities:

(1) information available on the databases of tax and customs authorities, as well as in the tax (customs) records of the taxpayer, in particular:

- a. data included in the tax calculation reports submitted by the taxpayer;
- b. physical volumes of production and turnover, as well as actual sales prices (including average sales prices) of mineral resources and mineral resource products and goods included in the list prescribed by the Government of the Republic of Armenia;
- c. sum total of cash settlements made by cash register machines;
- d. data from settlement documents (tax invoice, adjusting tax invoice, tax bill, adjusting tax bill, cash register machine receipt (only those supporting incomes)) used for the purpose of documentation of transactions and operations;
- e. data of inspections and (or) examinations (including test purchase results), inventories and measurements;
- f. the tax value determined in the manner prescribed for the import of goods into the Republic of Armenia from states which are not members of the EAEU or export of goods, across the border of the Republic of Armenia, into states which are not members of the EAEU;

(2) information submitted to the tax authority as prescribed by the Code (including the information received from third parties);

(3) information required for the determination of comparable market prices of the same or, in the absence of such, similar goods, same works or same services in comparable circumstances, in particular:

- a. value of services or property estimated by entities carrying out activities of property valuation, other specialised (expert) organisations (brokers, exchanges);

- b. prices having served as a basis for drawing up a state procurement and budget expenditures estimate, profit anticipated within the framework of construction orders (including tenders);
- c. list (catalogue) prices, information posted on the internet websites, published by telecommunication services, press and mass media, as well as advertisements;
- d. sales price of the same or, in the absence of such, similar goods, formed in an auction procedure;
- e. information received from the State Commission for the Protection of Economic Competition of the Republic of Armenia on prices at which goods, works or services are sold by organisations with a dominant position in different economic sectors;
- f. average sales prices of goods provided by the National Statistical Service of the Republic of Armenia in the prescribed manner;

(4) data serving as a basis for taxation, provided by bodies conducting criminal proceedings;

(5) data on prices, as well as on other indicators serving as a basis for taxation, applied in the relevant period by or among taxpayers carrying out their activities in comparable circumstances (including data on costs, income mark-ups, overheads), prices of the same or, in the absence of such, similar goods, same works or same services;

(6) other information obtained as prescribed by law.

6. Methods prescribed by points 7 and 8 of part 4 of this Article shall be applicable only in cases prescribed by points 1 and 2 of part 2 of this Article.

7. For the purpose of application of the methods prescribed by part 4 of this Article:

(1) in the case of absence of production, processing and other documented expenses recognised as expenses attending the sale, the indicator for the calculation of

the tax base for the 25-percent profit tax on the entrepreneurial income shall be taken as a basis;

(2) in the case of absence of incomes from sales, the indicator for the calculation of the 33.3-percent overhead against the sum total of purchase, processing and other expenses shall be taken as a basis.

8. Where there are no documents (information, data) supporting the purchase (producing) of goods by a taxpayer during other reporting periods, these goods shall be considered as purchased (produced) in the last reporting period (month or quarter) of the period under inspection but not later than the reporting period of alienation (use, consumption) of these goods, having regard to the peculiarities of their production. Where there are no documents (information, data) supporting the purchase (producing) of goods by a taxpayer during the period under inspection, these goods shall be considered as alienated in the last reporting period (month or quarter) of the period under inspection but not earlier than the reporting period of acquisition of these goods.

9. The result of any method applied based on the baseline data prescribed by this Article shall be considered as the tax base assessed (reassessed) by the tax authority. Where the tax authority arrives at different results (assessed (reassessed) tax base) as a result of application of different baseline data by using different methods or the same method, the tax authority shall choose the smallest of them, except for cases where the indirect calculation of tax liabilities is carried out based on the taxable object(s) and tax base(s) constituting the basis for taxation which are submitted by bodies conducting criminal proceedings as prescribed by law and other bodies entitled to perform inspections, in which case only these data shall be taken into account.

10. Pursuant to part 9 of this Article, the decision on application of the results of an assessment (reassessment) of tax bases for a taxpayer shall be adopted by the head of the structural sub-division of the tax authority. This decision may be adopted in the

period from the day when the inspection actually started until the day of end of the inspection.

11. The calculation of tax liabilities of a taxpayer on the basis of the tax base (bases) assessed (reassessed) in accordance with this Article shall be carried out as prescribed by the Code. Where the tax bases indicated in the tax calculation reports submitted to the tax authority by the taxpayer exceed the tax base amount determined in accordance with this Article, the data submitted in the tax calculation reports of the taxpayer shall be taken as a basis.

## **CHAPTER 72**

### ***RELATED TAX CONTROL PROCEDURES***

#### **Article 352. Access to premises or buildings**

1. Within the framework of the issues and for the purposes referred to in the letter of instruction on tax control, officials exercising tax control may — with the participation of the representative of the taxpayer — have unfettered access to the premises or buildings used as places of business by a taxpayer, examine these premises or buildings or taxable objects.

2. Where access of officials exercising tax control to the mentioned premises or buildings (except for residential premises or buildings) is obstructed, a protocol shall be drawn up in the form prescribed by the tax authority which shall be signed by the official (officials) exercising tax control and the taxpayer (the head of the executive body) or the official substituting him or her or the representative of the taxpayer. In the case of refusing to sign the protocol, a relevant note shall be made in the protocol.

3. Access of officials exercising tax control to premises where natural persons are residing without the written permission of the natural persons residing there shall be



prohibited, except for cases where the premises are used for the activities of the taxpayer (only with regard to such premises).

**Article 353.           Withdrawal of items, samples and documents**

1. Within the framework of tax control, officials conducting a tax inspection may — in the presence of the respective officials representing the taxpayer and without hindering the normal course of activities of the taxpayer — withdraw copies of necessary documents related to the tax control and items (including computer equipment — for the purpose of analysing the computer programmes), samples and, in cases prescribed by part 3 of this Article, also original copies of documents, the withdrawal of which shall not hinder the ordinary course of activity of the taxpayer and which shall be returned to the taxpayer prior to the end of the inspection or examination period.

2. A protocol on withdrawal of items, samples and documents, in the form prescribed by the tax authority, shall be drawn up, indicating the names, quantity and — where possible — the cost value of the withdrawn items, samples and documents. The protocol shall be signed by the official exercising tax control and the taxpayer (head of the executive body) or the official substituting him or her or the relevant official representing the taxpayer.

3. In cases where the copies of the seized documents are not sufficient for the implementation of tax control measures or where the officials exercising tax control have sufficient grounds to suspect that the taxpayer has the intention to destroy, hide, modify or replace the original copies of the documents, the official exercising tax control shall be entitled to seize the original copies of the documents as prescribed by this Article. When seizing the original copies of the documents, copies thereof shall be made which shall be certified by the signature of the official exercising tax control and

be forwarded to the taxpayer (head of the executive body) or the official substituting him or her or the relevant official representing the taxpayer.

#### **Article 354. Scrutiny**

1. Within the framework of tax control, the official exercising tax control shall — for the purpose of revealing circumstances relevant to the tax control — be entitled to carry out a scrutiny of the taxpayer's premises, buildings, vehicles, documents, and items. Where necessary, photo and video materials may be produced and copies of documents may be made during the scrutiny.

#### **Article 355. Forwarding for an expert examination**

1. During tax control, for the purpose of receiving clarifications on issues relevant to the tax control, an expert examination shall be commissioned upon the decision of the head of the tax authority.

2. Following an expert examination, the expert shall deliver an opinion. The questions posed to an expert and his or her opinion may not fall beyond the scope of expertise of the expert.

3. An expert shall be entitled to become acquainted with the materials related to the subject-matter of the expert examination, file motions to be furnished with additional materials. An expert may refuse to deliver an opinion where the provided materials are not sufficient or he or she does not have sufficient knowledge in order to conduct the expert examination.

4. In cases provided in the procedure established by the Government of the Republic of Armenia, the official exercising tax control shall inform the taxpayer (head of the executive body) or the official substituting him or her of commissioning an expert

examination (including the rights prescribed by part 5 of this Article) and a protocol with regard to this shall be drawn up in the form prescribed by the tax authority.

5. Where an expert examination is commissioned and conducted, the taxpayer (head of the executive body) or the official substituting him or her shall be entitled to:

- (1) be present at the expert examination and give explanations to the expert;
- (2) pose additional questions in order to receive the expert's opinion with regard thereto;
- (3) challenge the expert and request that the persons proposed by him or her be appointed as experts;
- (4) become acquainted with the expert opinion.

6. An expert shall submit an opinion in writing and in his or her name. An expert opinion shall describe the research conducted by him or her, the resulting conclusions, and provide grounded answers to the posed questions. Where during an expert examination the expert detects items which are relevant to the case and with regard to which no questions have been posed, he or she shall be entitled to include conclusions with regard thereto in the opinion.

7. An expert opinion or a statement of information on the impossibility of delivering an opinion by the expert shall be submitted to the person exercising tax control who shall be entitled to give explanations and raise objections, as well as pose new questions to the expert and request an additional or a double expert examination.

8. An additional expert examination — which may be commissioned to the same or another expert — shall be commissioned where the opinion is not sufficiently clear or is incomplete.

9. A double expert examination — which shall be commissioned to another expert — shall be commissioned where the expert opinion is ungrounded or there are doubts as regards the accuracy of the opinion.

10. The procedure for commissioning, conducting expert examinations and remuneration of experts in accordance with this Article shall be prescribed by the Government of the Republic of Armenia.

#### **Article 356. Engaging a specialist**

1. During the tax control, the tax authority may engage a specialist.
2. A specialist shall be a person not interested in the results of the tax control who shall be engaged by the tax authority on its own initiative or on the motion of the taxpayer (head of the executive body) or the official substituting him or her for the purpose of assisting in the implementation of tax control measures by putting his or her professional skills and knowledge in the sectors of science, technology, art or craft to use.
3. A specialist must have sufficient professional skills, knowledge and submit a specialist's written opinion which, however, shall not substitute the expert opinion.
4. The procedure for engagement and remuneration of specialists shall be prescribed by the Government of the Republic of Armenia.

#### **Article 357. Engaging a translator**

1. The tax authority may engage a translator to participate in the process of tax control.
2. A translator shall be a person not interested in the process of tax control who has a command of the language required for the translation.
3. A translator shall be notified of his or her obligations and the liability for providing a false translation and this shall be mentioned in the protocol drawn up in the form prescribed by the tax authority and certified by the signature of the translator.

4. The procedure for engagement and remuneration of a translator shall be prescribed by the Government of the Republic of Armenia.

**Article 358. Lead-sealing**

1. Within the framework of tax control, the official exercising tax control may, where necessary, lead-seal the office, commercial, production, storage premises, buildings, cash registers of the taxpayer.

2. Lead-sealing prescribed by this Article shall be carried out in the manner prescribed by the Government of the Republic of Armenia.

**Article 359. Compensation for damages caused to taxpayers as a result of unlawful actions of officials exercising tax control**

1. Damages caused to taxpayers as a result of illegal actions of the officials exercising tax control shall be subject to compensation as prescribed by law within the time limit prescribed by the Law of the Republic of Armenia “On budget system of the Republic of Armenia”.

## **CHAPTER 73**

### ***TRANSFER PRICING REGULATIONS***

**Article 360. General provisions on transfer pricing**

1. Provisions of this Chapter shall define the concept of transfer pricing, transfer pricing methods, comparability factors, documentation procedures, sources of information on uncontrolled and controlled transactions, as well as regulate other procedures pertaining to transfer pricing.

2. When exercising the tax control prescribed by this Chapter, the tax authority shall establish the integrity of calculation and payment of the following taxes and fee, as well as the compliance with the arm's length principle:

- (1) profit tax;
- (2) VAT;
- (3) royalty prescribed by part 2 of Article 197 of the Code.

3. Where for the purpose of calculation and payment of taxes and/or fees prescribed by the Code, the Code provides other regulations for determination of tax bases for supply of goods, alienation of intangible assets, performance of works and/or provision of services, then said regulations shall apply instead of transfer pricing regulations prescribed by this Chapter when determining the tax bases of controlled transactions.

#### **Article 361.        Used concepts**

1. The main concepts used in this Chapter shall have the following meanings:

- (1) equity securities: securities prescribed by point 6 of Article 3 of the Law of the Republic of Armenia "On securities market";
- (2) financial indicator: in particular, price, mark-up, gross, operating or net profit margin indicator which shall be analysed when applying the transfer pricing methods prescribed by Article 368 of the Code;
- (3) transfer pricing: a procedure for determination of financial indicators prescribed by point 2 of part 1 of this Article in controlled transactions prescribed by Article 363 of the Code;
- (4) arm's length range: the range of financial indicators determined in accordance with Article 371 of the Code;

(5) offshore jurisdiction (country): a jurisdiction (country) included in the list of offshore jurisdictions (countries) prescribed by the Government of the Republic of Armenia;

(6) arm's length principle: a principle of assessment of transactions on supply of goods, alienation of intangible assets, performance of works and/or provisions of services, according to which the financial indicators prescribed by point 2 of part 1 of this Article applied in controlled transactions prescribed by Article 363 of the Code shall not be different from the financial indicators applied in comparable uncontrolled transactions prescribed by point 9 of part 1 of this Article;

(7) tested party: a party to the controlled transaction for which a financial indicator is tested when applying the resale price, cost plus and transactional net margin methods;

(8) foreign tested party: a tested party which is not considered as a resident organisation or a natural person or a permanent establishment;

(9) comparable uncontrolled transaction: an uncontrolled transaction prescribed by part 4 of Article 363 of the Code which, in accordance with part 1 of Article 365 of the Code, is comparable with the controlled transaction;

(10) comparability adjustment: adjustment of the relevant financial indicator in accordance with part 1 of Article 365 and Article 366 of the Code;

(11) internal uncontrolled transaction: a transaction carried out between a party to a transaction considered as controlled in accordance with Article 363 of the Code and taxpayers not considered as related in accordance with part 4 of Article 362 of the Code;

(12) external uncontrolled transaction: a transaction carried out between taxpayers not considered as related in accordance with part 4 of Article 362 of the Code, none of the parties to which is considered as a party to a controlled transaction.

## **Article 362. Related taxpayers**

1. Within the meaning of this Chapter, two and more taxpayers shall be considered as related where:

(1) one of the taxpayers is directly or indirectly involved in the management, supervision of the other taxpayer or has a participation (stock, share, unit) in the authorised or share capital of the other taxpayer;

(2) the same taxpayer is directly or indirectly involved in the management, supervision of two or more taxpayers or has a participation (stock, share, unit) in the authorised or share capital thereof.

2. Within the meaning of part 1 of this Article, it shall be considered that a taxpayer is directly or indirectly involved in the management, supervision of another taxpayer or has a participation (stock, share, unit) in the authorised or share capital of another taxpayer where:

(1) 20 and more percent of the stocks, share, units of the authorised or share capital of the other taxpayer directly or indirectly belongs to the taxpayer;

(2) the taxpayer practically controls the business decisions of the other taxpayer.

3. Within the meaning of point 2 of part 2 of this Article, a taxpayer shall be considered as practically controlling the business decisions of the other taxpayer irrespective of participation in the authorised or share capital of that taxpayer where any of the following conditions is met:

(1) the taxpayer directly or indirectly owns or controls 20 and more percent of the voting equity securities of the other taxpayer;

(2) the taxpayer directly or indirectly controls the process of formation (election) of the executive board or the board of directors of the other taxpayer;



(3) the sum total of the loans directly or indirectly provided and/or secured by the taxpayer to the other taxpayer exceeds 51 percent of the book value of the total assets of the latter;

(4) more than 80 percent of the entrepreneurial income of the taxpayer during a given tax year was derived from the transactions on supply of goods to, performance of works for and/or provision of services to the other taxpayer, except for incomes and interests drawn from transactions on lease and/or gratuitous use of property, alienation of intangible assets;

(5) more than 80 percent of the expenditures of the taxpayer during a given tax year was made on transactions on acquisition of goods, acceptance of works and/or services, except for the expenditures arising from transactions on lease and/or gratuitous use of property, acquisition of intangible assets and interest payment;

(6) the taxpayers have concluded a contract on joint activity prescribed by Article 31 of the Code under which the taxpayer has invested more than 50 percent of his or her assets in the joint activity;

(7) the taxpayers have concluded a contract on gratuitous use of property under which the taxpayer (borrower) uses the property of the other taxpayer (lender) by the right of gratuitous use for a period of more than one year and the value of said property exceeds 51 percent of the book value of the total assets of the borrower. This point shall apply also to contracts on lease and financial lease of property.

4. Taxpayers not meeting the relatedness criteria prescribed by parts 1, 2 and 3 of this Article shall be considered as unrelated.

#### **Article 363. Controlled transactions**

1. Within the meaning of this Chapter, a transaction on supply of goods, alienation of intangible assets, performance of works and/or provision of services shall be

considered as controlled where the transaction is carried out between related taxpayers prescribed by Article 362 of the Code, except for cases prescribed by parts 2 and 3 of this Article.

2. A transaction on supply of goods, alienation of intangible assets, performance of works and/or provision of services carried out between related taxpayers considered as residents of the Republic of Armenia shall be considered as controlled in the following cases:

- (1) one of the parties to the transaction is considered as a royalty payer in accordance with part 2 of Article 198 of the Code;
- (2) one of the parties to the transaction enjoys tax benefits prescribed by the Code with regard to profit tax, VAT and/or royalty;
- (3) one of the parties to the transaction is considered as an operator of a free economic zone prescribed by point 4 of Article 3 of the Law of the Republic of Armenia “On free economic zones”.

3. A transaction carried out between a resident taxpayer and taxpayers registered in offshore jurisdictions (countries) shall be considered as controlled, whether or not the taxpayers are related.

4. Within the meaning of this Chapter, a transaction on supply of goods, alienation of intangible assets, performance of works and/or provision of services shall be considered as uncontrolled where it has been carried out between the taxpayers considered as unrelated in accordance with part 4 of Article 362 of the Code, except for transactions prescribed by part 3 of this Article.

5. Pursuant to the provisions of this Article, transfer pricing regulations prescribed by this Chapter with regard to transactions considered as controlled shall be applicable where the sum total of all the controlled transactions carried out by a given taxpayer during a given tax year exceeds AMD 200 million.

#### **Article 364. Arm's length principle**

1. Where a taxpayer carries out a controlled transaction prescribed by Article 363 of the Code, the taxpayer's tax base for profit tax, tax base for VAT and/or royalty base shall be determined based on the prices or other financial indicators determined under the arm's length principle.

2. The tax base for profit tax, tax base for VAT and/or the royalty base for a taxpayer involved in one or more controlled transactions shall be considered as corresponding to the prices or other financial indicators determined under the arm's length principle where the conditions of these transactions are not different from the conditions which would be applicable in comparable uncontrolled transactions.

3. If a condition contradicting the arm's length principle is formed or arises in a controlled transaction, then:

(1) any additional amount of the tax base for profit tax or any deduction of tax losses (hereinafter referred to in this Chapter as "profit tax base") which could have formed with the taxpayer had the conditions of a given controlled transaction been in conformity with the arm's length principle, but was not, due to non-conformity of the conditions of the controlled transaction with the arm's length principle, shall be included in the taxpayer's tax base for profit tax;

(2) any additional amount of the tax base for VAT which could have formed with the taxpayer had the conditions of a given controlled transaction been in conformity with the arm's length principle, but was not, due to non-conformity of the conditions of the controlled transaction with the arm's length principle, shall be included in the taxpayer's tax base for VAT by the tax authority in accordance with the provisions of Articles 61 and 62 of the Code;

(3) any additional amount of the royalty base which could have formed with a taxpayer had the conditions of a given controlled transaction been in conformity with the arm's length principle, but was not, due to non-conformity of the conditions of the

controlled transaction with the arm's length principle, shall be included in the royalty base of the taxpayer by the tax authority.

4. The conditions of the transaction shall, in particular, include the financial indicator which shall be tested when applying the relevant transfer pricing method.

#### **Article 365. Comparability of transactions**

1. An uncontrolled transaction is comparable with a controllable transaction where:

(1) there are no significant differences as regards comparability factors prescribed by part 2 of this Article between these transactions which could significantly influence the financial indicators subject to examination under the relevant transfer pricing method, or

(2) differences mentioned in point 1 of this part are present and the relevant financial indicator of the uncontrolled transaction has been adjusted for the purpose of eliminating any influence said differences might have had on the comparability.

2. For the purpose of establishing the comparability of two or more transactions, the following factors shall be taken into account insofar as they economically concern the facts and circumstances of the transactions:

(1) characteristics of the object of transaction, in particular:

a. in the case of goods, it may include the physical properties, quality, reliability, supply accessibility (availability in the market) and volume of supply;

b. in the case of works and services, it may include the nature and volume of the work or the service, the applied technical expertise and skills, involvement of intangible assets;

c. in the case of financial transactions, it may include the duration of the transaction, the date of extension and termination of loans, the principal amount, the currency, guarantees, the solvency of the borrower, the interest rate;

d. in the case of intangible assets, it may include the type of the transaction (licensing or sale), the type of the intangible asset (patent, trademark or know-how), duration, degree of protection, anticipated benefits;

(2) functions performed, assets used and risks assumed by the parties to the transaction, in particular:

a. functions, in particular, design, production, installation, research and development, servicing, assembling, purchasing, management, testing and quality control, sales, marketing, advertising, warehousing, retail and/or wholesaling or domestic consumption, transportation, financing, management, warranty service, insurance;

b. assets, in particular, used production equipment, intangible assets, financial assets; the age, market value, location of the used assets shall also be taken into account;

c. risks, in particular, production risks, market risks, risks related to investment loss, risks related to success or failure in the sector of research and development, financial risks related to currency exchange rate fluctuations, inventory risks, environmental risks, credit risks;

(3) contractual conditions of transactions, in particular, the transaction volumes, the method and time-limits of compensation, the scope and conditions of the provided warranties, the existence and validity of relevant licences, contracts or other agreements;

(4) economic circumstances in which the transactions have been carried out, in particular, the similarity of geographic markets, the size of each market and the level

of its economic development, the market level (retail or wholesale), production and sales expenses conditioned by the location, level of competition in the corresponding goods or services markets, economic situation of the production sector in question, level of development of production and transport infrastructures, level of state intervention in pricing procedures, absence of purchasing power of the consumer, other circumstances which can influence the conditions of the transaction;

(5) business strategies adopted by related taxpayers as regards transactions, in particular, strategies pertaining to expanding into new markets, diversification (differentiation) of fields of activities, introduction of innovations, risk prevention, political changes.

#### **Article 366. Comparability adjustments**

1. The adjustment prescribed by point 2 of part 1 of Article 365 of the Code shall be prescribed only where it is expected that it will enhance the reliability of financial indicators of uncontrolled transactions, having regard to the following factors:

- (1) materiality of the differences for which a comparability adjustment is prescribed;
- (2) quality of the information that is expected to serve as a basis for carrying out a comparability adjustment;
- (3) the purpose of the comparability adjustment;
- (4) reliability of the approach adopted for carrying out a comparability adjustment.

2. A comparability adjustment may include, in particular, the following:

- (1) adjustments aimed at the elimination of differences between controlled and uncontrolled transactions which have arisen as a result of application of different accounting policies;

(2) adjustments aimed at the elimination of differences conditioned by the capital employed, performed functions, used assets and assumed risks;

(3) adjustments aimed at the elimination of the differences conditioned by different geographic markets.

**Article 367. Sources of information on uncontrolled transactions**

1. Sources of information on uncontrolled transactions may include the internal and external uncontrolled transactions prescribed by points 11 and 12 of part 1 of Article 361 of the Code, as well as other sources of information prescribed by part 3 of this Article.

2. Where both internal and external uncontrolled transactions prescribed by points 11 and 12 of part 1 of Article 361 of the Code may be used as sources of information on an uncontrolled transaction in an equally reliable manner, the internal uncontrolled transactions shall be used as a source of information.

3. The following, in particular, may be used as other sources of information on uncontrolled transactions:

(1) information submitted to the tax authority as prescribed by the legal acts regulating tax relations, where it does not constitute a tax secret;

(2) databases containing financial and other information that are included in the list of databases approved by the Government of the Republic of Armenia;

(3) published customs statistics on foreign trade;

(4) information published in official sources of information of state administration bodies, local self-government bodies;

(5) physical volumes of production and turnover, as well as actual sales prices (including average sales prices) of mineral resources and mineral resource products

and goods included in the list prescribed by the Government of the Republic of Armenia;

(6) information published by the National Statistical Service of the Republic of Armenia;

(7) value of immovable property determined as prescribed by law.

4. The tax authority may not rest upon an uncontrolled transaction for the purpose of carrying out adjustments in accordance with the provisions of part 3 of Article 364 of the Code where the conditions of the transaction constitute a tax secret.

5. In the case of absence of information on uncontrolled transactions with the participation of an Armenian party, the use of foreign comparables shall be acceptable where the impact of economic circumstances and/or other comparability factors on the financial indicator subject to examination by the relevant transfer pricing method has been analysed and, where necessary, a comparability adjustment has been carried out in accordance with Article 365 of the Code.

#### **Article 368. Transfer pricing methods**

1. Transfer pricing methods include:

(1) comparable uncontrolled price method where the price of the object of a controlled transaction is compared with the price of the object of a comparable uncontrolled transaction;

(2) resale price method where the mark-up derived from the resale of the object of a controlled transaction is compared with the mark-up derived from the resale of the object of a comparable uncontrolled transaction;

(3) cost plus method where the mark-up on the direct and indirect costs incurred during the supply of the object of a controlled transaction is compared with the mark-



up on the direct and indirect costs incurred during the supply of the object of a comparable uncontrolled transaction;

(4) transactional net margin method where the net profit realised from a controlled transaction relative to an appropriate base, in particular, costs, sales, assets, is compared with the net profit realised from a comparable uncontrolled transaction relative to the same base;

(5) profit split method where each of the related taxpayers participating in a controlled transaction receives the share of the profit generated or loss incurred from the transaction in question which a person not considered as related would anticipate when participating in a comparable uncontrolled transaction. Within the meaning of this point, the profit generated from the transaction shall mean the positive difference between the income generated and the costs incurred within the scope of the transaction in question.

2. When applying transfer pricing methods, the following special aspects shall be considered:

(1) the comparable uncontrolled price method prescribed by point 1 of part 1 of this Article may be applied, in particular, where the controlled transaction implies supply of goods, alienation of an intangible asset or is a financial transaction;

(2) the resale price method prescribed by point 2 of part 1 of this Article may be applied, in particular, where the reseller has not had any material value added to the resalable goods during the resale of goods purchased under the controlled transaction;

(3) the cost plus method prescribed by point 3 of part 1 of this Article may be applied, in particular, where the supplier has not used valuable tangible assets or assumed material risks with regard to the goods supplied or the service provided under the controlled transaction;

(4) when applying the transactional net margin method prescribed by point 4 of part 1 of this Article, the financial indicator most appropriate for the characteristics of the controlled transaction must be calculated, in particular:

- a. the net profit margin shall be calculated in relation to costs where, in particular, where the controlled transaction implies production or provision of a service;
- b. the net profit margin shall be calculated in relation to sales, in particular, where the controlled transaction implies supply of goods;
- c. the net profit margin shall be calculated in relation to assets, in particular, where the controlled transaction implies involvement of a large amount of assets.

When applying the transactional net margin method, only incomes and expenses pertaining to controlled transactions shall be considered, excluding incomes and expenses not related to controlled transactions;

(5) the profit split method prescribed by point 5 of part 1 of this Article may be applied, in particular, where the controlled transactions are highly integrated and they cannot be analysed separately and/or both parties to the controlled transaction have used valuable intangible assets for the performance of the transaction.

When applying the profit split method, it is important to establish the combined profits which have been generated within the framework of the controlled transactions, in particular:

- a. the combined profits can in some cases be the total profit generated as a result of the performance of controlled transactions, or
- b. the remaining part of the total profit which cannot be attributed to any of the parties to the controlled transaction on any reasonable basis.

3. The conformity of the conditions of a controlled transaction with the arm's length principle shall be determined by applying the transfer pricing method most appropriate for the given circumstances. The most appropriate transfer pricing

method shall be chosen from the transfer pricing methods prescribed by part 1 of this Article, having regard to the following criteria:

- (1) strengths and weaknesses of the relevant transfer pricing method;
- (2) appropriateness of the method, having regard to the characteristics of the controlled transaction;
- (3) availability of reliable information required for the application of the relevant transfer pricing method in accordance with the provisions of Articles 367 and 370 of the Code;
- (4) degree of comparability of the controlled and uncontrolled transactions, including the reliability of the comparability adjustment carried out in accordance with point 2 of part 1 of Article 365 of the Code.

4. Where, having regard to the criteria prescribed by part 3 of this Article, it is possible to apply both the comparable uncontrolled price method referred to in point 1 of part 1 of this Article and the transfer pricing methods prescribed by points 2-5 of part 1 of this Article in an equally reliable manner, the comparable uncontrolled price method shall be applied when determining the conformity with the arm's length principle.

5. Application of more than one transfer pricing method by the taxpayer is not mandatory for determining the conformity of the controlled transaction with the arm's length principle.

6. Where a taxpayer has applied a transfer pricing method prescribed by this Article for the purpose of determining the conformity of the controlled transaction with the arm's length principle, the tax authority, when determining the conformity of the controlled transaction of the taxpayer with the arm's length principle, shall rely on the transfer pricing method applied by the taxpayer, provided that the choice of the transfer pricing method applied by the taxpayer was made in accordance with the provisions of this Article.

7. The procedure for the application of the transfer pricing methods referred to in this Article shall be established by the Government of the Republic of Armenia.

**Article 369. Selection of the tested party**

1. A tested party shall be selected when applying one of the transfer pricing methods referred to in points 2-4 of part 2 of Article 368 of the Code.
2. The selection of the tested party shall be consistent with the operational analysis of the controlled transaction. The party to the controlled transaction which performs simpler functions and/or with regard to which more reliable comparable uncontrolled transactions may be identified must be selected as the tested party.
3. The selection of the foreign tested party shall be acceptable where the applied transfer pricing method is in conformity with the provisions of Article 368 of the Code and the tested party has been selected in accordance with the provisions of this Article.

**Article 370. Assessment of multiple year data**

1. Pursuant to the provisions of Article 365 of the Code, information used when assessing the conformity of an uncontrolled transaction with a controlled transaction must pertain to the tax year during which the controlled transaction was carried out, except for cases where:
  - (1) information pertaining to the tax year of performance of the controlled transaction is not available at the time of assessing the comparability of the uncontrolled transaction with the controlled transaction. In this case, the information of the previous tax year may be used, provided that it complies with the requirements prescribed by Article 365 of the Code;

(2) data pertaining to no more than 3 years preceding the performance of the controlled transaction reveal facts which may have an influence on determining the comparability of the transactions being compared.

**Article 371. Arm's length range**

1. The arm's length range is the range of the relevant financial indicators which is formed when applying the most appropriate transfer pricing method prescribed by Article 368 of the Code in relation to the comparable uncontrolled transactions.

2. The controlled transaction or — pursuant to Article 372 of the Code — the combined transaction shall not be adjusted pursuant to part 3 of Article 364 of the Code where the financial indicator of the controlled transaction established by applying the appropriate transfer pricing method falls within the arm's length range.

3. Where the financial indicator established with regard to a controlled transaction or — pursuant to Article 372 of the Code — to a combined transaction falls outside the arm's length range, the tax authority may adjust it in accordance with part 3 of Article 364 of the Code and any other such adjustment will be the midpoint of the arm's length range, provided that the facts and circumstances do not indicate otherwise.

4. The burden of proof of other facts and circumstances indicative of the use of an indicator different from the midpoint of the indicators of the arm's length range shall — for the purpose of adjustment — lie with:

(1) the taxpayer where the one claiming that the facts and circumstances indicate otherwise is the taxpayer;

(2) the tax authority where the one claiming that the facts and circumstances indicate otherwise is the tax authority.

5. The rules of calculation of the arm's length range shall be prescribed by the Government of the Republic of Armenia.

**Article 372. Assessment of combined controlled transactions of a taxpayer**

1. If a taxpayer carries out two or more controlled transactions in the same or similar circumstances which are closely tied economically or constitute continuation of each other in a way that they cannot be reliably analysed separately, then these controlled transactions may be combined for the purpose of carrying out the comparability analysis referred to in Article 365 of the Code and applying the most appropriate transfer pricing method referred to in Article 368 of the Code.

**Article 373. Recognition of the actual transactions undertaken**

1. The establishment of the compliance of a controlled transaction with Article 364 of the Code by the tax authority must be based on the actual transaction undertaken which the parties have reached an agreement on, except for cases where the subject-matter of the controlled transaction is different from its legal form.

**Article 374. Adjustments made by taxpayers independently**

1. If taxpayers carry out controlled transactions the conditions of which are not in conformity with the provisions of Article 364 of the Code and if in the case of conformity of these conditions with the provisions of Article 36 of the Code an additional tax base for profit tax, an additional tax base for VAT and/or an additional royalty base could be formed, then the taxpayers may independently calculate the tax base for profit tax, the tax base for VAT and/or the royalty base and submit verified tax calculation reports to the tax authority as prescribed by Article 54 of the Code.

2. Pursuant to part 1 of this Article, taxes calculated based on the additional tax bases shall be paid in the manner, amount and time limits prescribed by the Code.

#### **Article 375. Notification of controlled transactions**

1. Where the sum total of all the controlled transactions of a taxpayer during a tax year exceeds the threshold of AMD 200 million prescribed by part 5 of Article 363 of the Code (without VAT and excise tax), the taxpayer shall be obliged to submit a notification of the controlled transactions to the tax authority, by including in the notification, in particular, the following information:

- (1) name, tax identification number of the taxpayer;
- (2) main sectors of activities of the taxpayer;
- (3) sum total of the controlled transactions according to the types of transactions carried out in the course of the tax year;
- (4) countries of residence of the parties to the controlled transactions carried out in the course of the tax year;
- (5) information on the transfer pricing methods applied for the purpose of determining the conformity of the conditions of the controlled transactions executed in the course of the tax year with the provisions of Article 364 of the Code, including the proportion of the applied transfer pricing methods in controlled transactions.

2. The notification form and the procedure for filling in the form shall be prescribed by the tax authority.

3. Taxpayers shall fill in and submit the notification of the controlled transactions to the tax authority by 20 April, inclusive, of the tax year following each tax year.

## **Article 376. Transfer pricing documentation**

1. Transfer pricing documentation shall mean the document or documents attesting to the conformity of the controlled transactions of a taxpayer with the provisions of Article 364 of the Code and shall include, in particular, the following:

- (1) detailed description of the business functions of the taxpayer, including the analysis of the influence of economic factors on the processes of pricing of goods, intangible assets, works and/or services;
- (2) detailed description of the organisational structure of the taxpayer;
- (3) description of the controlled transactions, including the analysis of comparability factors prescribed by Article 365 of the Code, as well as the functions performed, assets used and risks assumed by the parties to the controlled transaction;
- (4) description of the applied transfer pricing methods and the rationale behind the choice of the particular pricing method in accordance with Article 368 of the Code;
- (5) list of the parties to the controlled transactions, including information on the residence of the party for the purpose of taxation;
- (6) description of the sources of information on the comparable uncontrolled transactions;
- (7) calculation of the arm's length range (where applicable);
- (8) financial and other necessary information on the tested party;
- (9) detailed information on the adjustments made by the taxpayer independently in accordance with Article 374 of the Code;
- (10) any other information which the taxpayer deems important for demonstrating the conformity of the conditions of performance of the controlled transactions with the provisions of Article 364 of the Code.



2. A taxpayer shall submit the documents prescribed by part 1 of this Article to the tax authority within 30 working days following the day of receipt of the written notification sent in by the taxpayer.

3. A taxpayer shall submit the documents prescribed by part 1 of this Article to the tax authority in paper or electronic form in Armenian, English or Russian, provided that documents in English or Russian are translated into Armenian at the request of the tax authority and be submitted to the tax authority within ten working days upon receipt of a written notification of such request.

### **Article 377. Conformity adjustments**

1. Conformity adjustments shall be made where:

(1) the adjustment of the conditions of the controlled transaction one of the parties hereto is a resident taxpayer has been made or is proposed to be made by the tax authority of another country;

(2) the adjustment results in such income taxation in another country for which the resident taxpayer has already paid taxes in the Republic of Armenia;

(3) there is a ratified international agreement on double taxation avoidance concluded between the Republic of Armenia and the country making or proposing the adjustment.

2. In cases prescribed by part 1 of this Article, the tax authority shall, based on the application of the resident taxpayer, analyse the compliance of the adjustment in question with the arm's length principle prescribed by Article 364 of the Code by consulting with the tax authority of the other country where necessary. Where the adjustment made or proposed by the other country is in conformity with the arm's length principle, the tax authority shall, for the purpose of avoiding double taxation, adjust the relevant tax base for the resident taxpayer.

3. The taxpayer shall submit the application for conformity adjustment within the time limits prescribed by the ratified international agreement on double taxation avoidance for the submission of the application on disposing of the matter through a mutual agreement procedure.

4. The taxpayer shall submit the application for conformity adjustment to the tax authority in electronic or written form, including in the application the following information:

- (1) the names, registered addresses, and, where available, also the trademarks of related taxpayers;
- (2) the year (years) of performance of adjusted controlled transactions;
- (3) the amount of the required appropriate adjustment, in drams, and the amount of the adjustment made by the tax authority of the country considered a party to the ratified international agreement on double taxation avoidance, in the currency which was used in that country;
- (4) evidence as to the fact of the related party being a resident in another country;
- (5) evidence as to the adjustment made by the tax authority of the other country considered a party to the ratified international agreement on double taxation avoidance and details on the adjustment grounds;
- (6) administrative complaints introduced or judicial proceedings initiated, if any or if such still exist;
- (7) information on comparability analysis and applied transfer pricing methods;
- (8) any other information which may be significant to the analysis of conformity of the adjustment by the tax authorities in accordance with the arm's length principle.

5. In addition to the information prescribed by part 4 of this Article, the tax authority may require additional information from the taxpayer on the controlled transactions for the purpose of analysis of the application for conformity adjustment.

6. The tax authority shall, within 6 months following the day of receipt of the application submitted within the time limits prescribed by part 3 of this Article, inform the taxpayer of the adopted decision. Where the tax authority partially or fully dismisses the application of a taxpayer for making an appropriate adjustment, the notification of the decision provided to that taxpayer shall state the grounds for rejection.

#### **Article 378. Mutual agreement procedure**

1. Where in accordance with the ratified international agreement on double taxation avoidance, a resident organisation or a resident natural person is informed that the taxation of a controlled transaction may not be in conformity with the provisions of the ratified international agreement on double taxation avoidance due to the activities of the tax authority or the resident partner of the country considered a party to the international agreement on double taxation avoidance, the resident organisation or the resident natural person may submit an application to the tax authority and request that the matter be disposed of through mutual agreement procedure.

2. The procedure for disposing of the matter through the mutual agreement procedure shall be prescribed by the Government of the Republic of Armenia.

### **CHAPTER 74**

#### ***USE OF CASH REGISTER MACHINES AND CASH-DESK OPERATIONS***

#### **Article 379. Use of cash register machines, limitations on making and accepting payments by cash**

1. Organisations, individual entrepreneurs and notaries shall be obliged to use cash register machines, unless otherwise prescribed by Article 380 of the Code. The

provisions of this part shall not extend to diplomatic representations and consular offices accredited in the Republic of Armenia, international organisations equivalent thereto, the Central Bank of the Republic of Armenia, commercial banks, the branches, representative offices, operational offices (units) thereof, as well as credit organisations, insurance and reinsurance companies, persons carrying out insurance intermediaries activities, professional participants in the securities market, pawnshops, payment and settlement organisations, with respect to the types of those activities.

2. Individual entrepreneurs considered as VAT payers and organisations shall be obliged to observe the limitations on making and accepting payments in cash as prescribed by Article 386 of the Code. The provisions of this part shall not extend to diplomatic representations and consular offices accredited in the Republic of Armenia, international organisations equivalent thereto, the Central Bank of the Republic of Armenia, commercial banks, the branches, representative offices, operational offices (units) thereof, as well as credit organisations, organisations and individual entrepreneurs carrying out the activities of buying and selling foreign currency (with respect to the types of those activities).

#### **Article 380. Fields of use of cash register machines**

1. In case of cash settlements (including advance payments, instalments) made in cash by organisations, individual entrepreneurs and notaries, the use of cash register machines shall be mandatory when making retail sale through shopping facilities, sale outlets in trading venues, performing works for the public or providing services to the public, except for the cases prescribed by part 3 of this Article.

2. When organisations and individual entrepreneurs make a sale, perform works for the public or provide services to the public by a vehicle, the cash register machines may be used to issue in electronic format the settlement documents prescribed by points 1-4 of part 2 of Article 55 of the Code.

3. In case of cash settlements (including advance payments, instalments) made in cash by organisations and individual entrepreneurs, the use of cash register machines shall not be mandatory for the following types of activities:

- (1) providing utility services to the public — provided that when making cash settlements in cash with respect to those services, a document certifying the payment as prescribed by the legislation shall be issued to the payer;
- (2) sales of lottery tickets;
- (3) sales of tickets for the transportation of passengers, cargo, and for travelling by road, water, rail, air;
- (4) sales of agricultural products and used personal items belonging to citizens by the right of ownership on the sale outlets in trading venues;
- (5) sales of agricultural products made by vehicles;
- (6) in case motor vehicles are equipped with taximeter — carrying out transportations by passenger taxi motor vehicles;
- (7) organising casinos and games of chance;
- (8) realising religious attributes and/or providing services of religious ceremonies by religious organisations registered by law;
- (9) realising — in nominal value — state stamps of postal fees (postage stamps and other stamps) certifying the payment for postal services;
- (10) carrying out postal and courier activities;
- (11) making distance sales through means of communication ensuring electronic communication or through teleshops.

## **Article 381. Rules for use of cash register machines**

1. Organisations, individual entrepreneurs and notaries shall be obliged to make cash settlements in cash by a cash register machine registered with the tax authority as prescribed by the Government of the Republic of Armenia and satisfying the technical requirements for cash register machines prescribed by the Government of the Republic of Armenia.
2. The cash register machine shall be placed on the side of shopping facilities, sale outlets in trading venue, the place of performance of work or place of provision of service, where payment is made.
3. When making cash settlements in cash, the organisations, individual entrepreneurs and notaries using a cash register machine shall be obliged to issue cash register receipts to persons acquiring goods, accepting works or receiving services.

The following information (data) must be printed on the cash register receipt:

- (1) receipt number (RN) — 8 digits;
- (2) name of the person using the cash register machine (name and abbreviation of the legal form of the organisation, name, surname of the individual entrepreneur or notary);
- (3) address of the place of use of the cash register machine;
- (4) taxpayer identification number (TIN);
- (5) registration number of the cash register machine (RN);
- (6) minute, hour, day, month, year of issuing the receipt;
- (7) number of the servicing division, except for the receipts with the inscription “advance payment”;

(8) name and commodity heading of the goods, name and code of the work or service, except for the receipts with the inscription “advance payment”, in conformity with the procedure and time limits prescribed by the Government of the Republic of Armenia;

(9) quantity of goods being purchased, unit of measurement thereof, except for the receipts with the inscription “advance payment”, in conformity with the procedure and time limits prescribed by the Government of the Republic of Armenia;

(10) amount of the discount applied (when applied);

(11) amounts payable — in accordance with the divisions;

(12) total amount, including the VAT, where the person performing the transaction is a VAT payer and the transaction is subject to taxation by VAT, except for the receipts with the inscription “advance payment”;

(13) amount of VAT, where the person performing the transaction is a VAT payer and the transaction is subject to taxation by VAT, except for the receipts with the inscription “advance payment”;

(14) number of the responsible person (cashier);

(15) indication of fiscal mode (F);

(16) inscription “advance payment” — in case of receiving advance payments, as well as in cases when it is not clear what kind of goods will later be realised, what kind of works will later be performed or what kind of services will later be provided with the amounts taken.

4. In case when persons carrying out notarial and/or advocacy activities provide services to the public outside the place of activity (use of cash register machine), they shall be obliged to enter the amount received for the service provided into the cash register machine not later than within three hours upon returning to the place of

activity, and issue — within one day — the receipt of the cash register machine or deliver it by mail to the person receiving the service.

5. Persons carrying out activities of buying and selling foreign currency or of buying and selling foreign currency as broker-dealers shall make cash settlements by a cash register machine satisfying the requirements of part 1 of this Article or computer equipment with a relevant software, replacing it and satisfying the same requirements.

6. In case the use of cash register machines in conformity with this Chapter is not mandatory for cash settlements made in cash, the circulation recorded by the installed and used cash register machine shall not serve as a ground for the calculation of taxes, and the cash register machine shall be removed from the registration with the tax authority (where it was registered) as prescribed by the Government of the Republic of Armenia.

7. Technical requirements for cash register machines and network connection means, procedure for registering a cash register machine and removing it from the registration with the tax authority, rules for use of cash register machines shall be prescribed by the Government of the Republic of Armenia.

8. Requirements for computer equipment with a relevant software, replacing the cash register machine, and for network connection means used by persons carrying out activities of buying and selling foreign currency or of buying and selling foreign currency as broker-dealers, procedure for registering and removing from the registration of computer equipment with a relevant software, replacing the cash register machine, the rules for use of computer equipment with a relevant software, replacing the cash register machine shall be prescribed by the Central Bank of the Republic of Armenia jointly with the tax authority.

## **Article 382. Obligations of persons using a cash register machine**

1. Organisations, individual entrepreneurs and notaries using a cash register machine shall be obliged to:



- (1) observe the rules for use of cash register machines prescribed by the Government of the Republic of Armenia;
- (2) ensure — for the purpose of carrying out inspection functions — the unimpeded entry of the official of the tax authority into the place of installation of the cash register machine;
- (3) ensure the sending — by network connection means — of information about the sum total of cash settlements made by each cash register machine (including cash register machine, computer equipment with a relevant software used with respect to activities of buying and selling foreign currency or of buying and selling foreign currency as broker-dealers) during the day to the tax authority.

**Article 383. Authorisation to use a cash register machine**

1. The authorisation to use a cash register machine, computer equipment with a relevant software, as well as a computer software with respect to activities of buying and selling foreign currency or of buying and selling foreign currency as broker-dealers shall be granted by the Central Bank of the Republic of Armenia in agreement with the tax authority.

**Article 384. Suspension of the activity of persons using a cash register machine, adopting decisions on suspension and end of suspension**

1. The activity of organisations or individual entrepreneurs using cash register machines shall be suspended in case there are grounds prescribed by this part, except for the cases prescribed by part 2 of this Article. The following shall serve as a ground for suspension of the activity:

(1) repeating the same violation within one year after recording the violation at the organisation or individual entrepreneur for the absence of the cash register machine registered with the tax authority at the address of that place or for the non-registration of the cash register machine with the tax authority at the address of that place at the moment and on the site of making cash settlements in cash. The activity shall be suspended at the place of activity referred to in this point until the existence of the cash register machine registered with the tax authority at the address of that place is ensured in the prescribed manner;

(2) repeating the same violation within one year after recording the violation at the organisation or individual entrepreneur for the violation of rules for use of a cash register machine.

2. The following shall not be subject to suspension:

(1) activities of providing medical aid and services;

(2) notarial and/or advocacy activities.

3. The decision on suspension of the activity of the organisation or individual entrepreneur shall be adopted by the head of the tax authority within 20 working days after recording the violation serving as a ground for suspension.

4. The following shall be mentioned in the decision on suspension of the activity:

(1) name of the organisation or name, surname, TIN of the individual entrepreneur, the activity of which is being suspended, and in case of VAT payers — also the VAT identification number;

(2) address of the place of activity subject to suspension;

(3) activity subject to suspension;

(4) ground for suspension and time limit for suspension.

5. The decision of the head of the tax authority on suspension of the activity shall be issued to the head of the organisation, the activity of which is being suspended, or the official replacing him/her or the individual entrepreneur not later than within three working days following the day of adopting the decision.

6. In case the head of the organisation, the activity of which is being suspended, or the official replacing him/her or the individual entrepreneur submits an application, a time limit of up to three working days shall be given by the decision of the head of the tax authority to see to the removal of the perishables located in the territory of the place of activity subject to suspension or storage and safety thereof before the suspension of activity. In the case specified in this part, the beginning of the time limit for suspension shall be considered the working day following the day of expiry of the time limit given by the decision of the head of the tax authority.

7. Suspension of the activity shall be carried out by the officials of the tax authority by sealing, lead-sealing, stamping, applying digital, graphic or other means of stamping to the entry (entries) or all other possible routes to the territory of the place of activity subject to suspension that must exclude the possibility of entering or attempting to enter the territory of activity subject to suspension without damaging the means applied. The means specified in this part may be changed or removed only by the tax authority or written permission of the tax authority.

8. The tax authority shall post the excerpt of the decision of the tax authority on suspension of the activity at the entry of the place of activity subject to suspension, in a place visible for customers and clients, and in case of suspension of activities of buying and selling foreign currency and of buying and selling foreign currency as broker-dealers — the tax authority shall inform thereof the Central Bank of the Republic of Armenia within three working days upon adopting the decision by the tax authority.

9. During the suspension of the activity it shall be prohibited to carry out activity, functions or actions at the place of activity subject to suspension, except for functions

or actions targeted at eliminating the grounds for suspension. During the suspension of the activity, the activity, functions or actions specified in this point shall be carried out with the written permission of the tax authority.

10. The time limit for ending the suspension of the activity shall be considered the day provided for by the decision on suspension of the activity. Where the time limit for the suspension of the activity has been prescribed until the elimination of the violation serving as a ground for suspension, the time limit for ending the suspension shall be considered the third working day following the submission by the organisation or individual entrepreneur, the activity of which has been suspended, of the statement (relevant supporting documents) on eliminating the grounds of violation to the tax authority, where the tax authority, meanwhile, does not prescribe a shorter time limit. The decision on ending the suspension of the activity shall be adopted by the head of the tax authority.

11. In cases prescribed by this Article, the suspension of activity of the taxpayer may be replaced with the payment of the penalty prescribed by part 8 of Article 416 of the Code.

#### **Article 385. Performing cash-desk operations**

1. Cash-desk operations shall be performed through the cash-desk and/or reporting persons.

2. Cash-desk operations shall be registered in cash book maintained in paper or electronic format. The procedure for performing cash-desk operations, documenting them, registering the cash book and maintaining the cash book shall be prescribed by the Government of the Republic of Armenia.

3. The crediting of the cash debited from bank accounts to the cash-desk of the organisation or individual entrepreneur shall be made until the working day following the day of debiting the cash from the bank account. The crediting of the cash debited

from the cash-desk of the organisation or individual entrepreneur to the bank accounts of the organisations or individual entrepreneur shall be made until the working day following the day of debiting the cash from the cash-desk.

#### **Article 386.        Limitations on payments in cash**

1. The following limitations shall be applied to the payments in cash for transactions on supply of goods, performance of works or provision of services:

(1) the maximum amount of payment in cash for each transaction on supply of goods performance of works or provision of services shall be determined AMD 300 thousand (including the amount of VAT), and with respect to the sum total of such transactions within one month — AMD 3 million (including the amount of VAT);

(2) the maximum amount of accepting the amount in cash for each transaction on supply of goods, performance of works or provision of services shall be determined AMD 300 thousand (including the amount of VAT), and with respect to the sum total of such transactions within one month — AMD 3 million (including the amount of VAT), except for the cases prescribed by point 3 of this part;

(3) the maximum amount of accepting from natural persons not deemed an individual entrepreneur the amount in cash for each transaction on supply of goods, performance of works or provision of services in retail sale shall be determined AMD 3 million (including the amount of VAT), and where in retail sale a tax invoice of VAT refund is issued for supply of goods in the prescribed manner, the maximum amount of accepting the amount in cash for such transactions shall not be applied.

2. The limitations prescribed by part 1 of this Article:

(1) shall be applicable:

a. in cases of paying or accepting the amounts (commissions) due to a commission agent, agent or delegatee;

b. in cases of accepting the amounts by commission principal, principal or delegator from the commission agent, agent or delegatee respectively;

(2) shall not be applicable in cases of paying by the commission agent, agent or delegatee the amount in cash to the commission principal, principal or delegator respectively, as well as accepting the amount in cash from final customers of goods, persons accepting works or receiving services.

3. Within the meaning of restrictions prescribed by part 1 of this Article, payment in cash shall be considered the sum total of all payments (including advance payments, instalments) made for each transaction on supply of goods, performance of works or provision of services.

4. The limitations prescribed by part 1 of this Article shall not extend to payments made for representation expenses, payments made to natural persons with respect to their personal or passive income (in particular salary, payments equivalent thereto, benefits, scholarships, pensions, compensation payments), based on the contracts in writing concluded with natural persons not deemed an individual entrepreneur and producing agricultural products — payments for agricultural products bought therefrom by organisations or individual entrepreneurs storing agricultural products, as well as payments for acquiring meat directly from persons engaged in producing agricultural products.

#### **Article 387. Limitations on imprest account in cash**

1. The following limitations shall be applied to the provision of imprest account in cash to persons:

(1) imprest account in cash shall not be provided to the same person where he or she has not yet submitted the report on spending the previously received imprest account in cash to the person responsible for accepting those reports in the

organisation or to the individual entrepreneur, except for the cases when the time limit for submitting the report has not expired;

(2) the following time limitations — prescribed by the Government of the Republic of Armenia — for the imprest account in cash provided by organisations:

a. maximum time limit for spending the imprest account in cash provided for purposes other than secondment as intended or refunding it to the cash-desk or bank account of the organisation or individual entrepreneur;

b. maximum time limit for refunding the part of the imprest account in cash not spent as intended to the cash desk or the bank account of the organisation or individual entrepreneur.

2. Where by law or in cases prescribed by law, the decision of the Government of the Republic of Armenia prescribes other limitations on payments of amounts in cash and imprest accounts in cash for state institutions, these limitations shall be applied in lieu of the limitations prescribed by Article 386 and this Article of the Code.

**Article 388. Obligations of the head of the organisation (individual entrepreneur), cashier with regard to storage of cash**

1. The head of the executive body of an organisation (individual entrepreneur) shall bear the liability for ensuring the safety of storage of assets kept at the cash desk(s) of the organisation as well as the safety of the transportation thereof unless such liability is assigned to another person by the decision of the respective management body (individual entrepreneur) of the organisation.

2. The cashier shall accept (credit) cash to the cash-desk of the organisation and dispense (debit) it therefrom.

3. The cashier is prohibited to delegate his or her obligations to other persons without the order (decision) of the head of the organisation (individual entrepreneur).

4. The obligations of the cashier may not be delegated to the workers of the organisation who are entitled to sign the cash documents, except for the organisations, wherein number of workers does not exceed three.

## CHAPTER 75

### ***APPLICATION OF EXCISE STAMPS AND/OR LABELS***

#### **Article 389.       Stamping of goods with excise stamps**

1. The goods subject to stamping with excise stamps (hereinafter referred to as “goods subject to stamping”) shall be the following:

Code according to CN FEA	Name of the commodity group	Brief name of the commodity group
2204	wine of fresh grapes, including fortified wines, grape must other than that mentioned in heading 2009	beverages
2205	vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances	beverages
2206	other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included	beverages
2207	ethyl alcohol, undenatured, of an alcoholic strength by volume of 80% or higher; ethyl alcohol and other spirits, denatured, of any strength	spirit



2208	ethyl alcohol, undenatured, of an alcoholic strength by volume of less than 80%; spirits, liqueurs and other spirituous beverages, including beverages with an alcohol content of up to 9%, including alcoholic cocktails	beverages
2402	cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	tobacco products

2. The existence of the excise stamp on the ethyl alcohol produced in the Republic of Armenia and imported into the Republic of Armenia, classified under 2207 CN FEA code, prescribed by part 1 of this Article, is mandatory, where these goods are containerised in containers of 5 litre capacity by the producer or importer or otherwise containerised by the person containerising them.

3. The beverages classified under 2204, 2205, 2206, 2208 CN FEA codes and containerised in containers of up to 0.05 litre capacity, as well as spirituous beverages classified under 2208 CN FEA code, with up to 9 per cent alcohol concentration inclusive, prescribed by part 1 of this Article, shall not be subject to stamping with excise stamps.

#### **Article 390.       Stamping goods with labels**

1. The goods subject to stamping with labels (hereinafter referred to as “goods subject to stamping”) shall be the following:

Code according to CN FEA	Name of the commodity group	Brief name of the commodity group
010511	chicken	meat

0401	milk and cream, not concentrated and not containing added sugar or other sweetening matter	dairy produce
0402	milk and cream, concentrated or containing added sugar or other sweetening matter	dairy produce
0403	buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavored or containing added fruit, nuts or cocoa	dairy produce
0404	whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included	dairy produce
0405	butter and other fats and oils derived from milk; dairy spreads	dairy produce
0406	cheese and curd	dairy produce
0901	coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion	coffee
0902	tea, whether or not flavored	tea
090300 000	maté	tea
1504	fats and oils and fractions of fish or marine mammals, whether or not refined, but not chemically modified	fats and oils

1505	wool grease and fatty substances derived therefrom (including lanolin)	fats and oils
1506	other animal fats and oils and their fractions, whether or not refined, but not chemically modified	fats and oils
1507	soya bean oil and its fractions, whether or not refined, but not chemically modified	oil
1508	ground nut oil and its fractions, whether or not refined, but not chemically modified	oil
1509	olive oil and its fractions, whether or not refined, but not chemically modified	oil
1510 00	oils and their fractions, obtained solely from green or black olives, whether or not refined, but not chemically modified, including mixtures of these oils or fractions with oils or fractions of those mentioned in heading 1509	other oils
1512 11 910	sunflower-seed oil	oil
1512 19 900	sunflower-seed oil	oil
1515	other non-volatile vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified	fats and oils
1516 20 960 2	grape-seed oil	oil
1517	margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of the given group, other than edible fats or oils or their fractions mentioned in heading 1516	margarine

1601	sausages and similar products, of meat, meat offal or blood; food preparations based on these products	prepared food
1602	other prepared or preserved meat, meat offal or blood	meat
1603	extracts and juices of meat, fish or crustaceans, molluscs or other aquatic invertebrates	prepared food
1604	prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	fish
1605	crustaceans, molluscs and other aquatic invertebrates, prepared or preserved	fish
1806	chocolate and other food preparations containing cocoa	cocoa and preparations thereof
1901	malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods mentioned in headings 0401 to 0404, not containing cocoa or containing less than 5% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included	concentrated milk
1902	pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagna, gnocchi, ravioli, cannelloni; couscous, whether or not prepared	prepared food

1903	tapioca and substitutes therefor prepared from starch, in the form of flakes, grains, pearls, siftings or other similar forms	prepared food
1904	prepared foods obtained by swelling or roasting cereals or cereal products (e.g. corn flakes); cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (not flour and meal), pre-cooked or otherwise prepared, not elsewhere specified or included	prepared food
2001	vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid	preserves
2002	tomatoes, prepared or preserved otherwise than by vinegar or acetic acid	preserves
2003	mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid	preserves
2004	other vegetables, prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products mentioned in heading 2006	preserves
2005	other vegetables, prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products mentioned in heading 2006	preserves
2006	vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (drained, glaze or crystallised)	preserves

2007	jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, being cooked preparations, including containing added sugar or other sweetening matter	preserves
2008	fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	preserves
2009	fruit juices and vegetable juices, unfermented, not containing added spirit	juices
2101	extracts, essences, concentrates of coffee, tea or mate; preparations with a basis of these products or with a basis of coffee, tea or mate; roasted chicory and other roasted coffee substitutes and extracts, essences and concentrates thereof	coffee
2105 00	ice cream and other edible ice, whether or not containing cocoa	ice cream
2201	waters, including natural or artificial mineral waters, whether or not aerated, not containing added sugar or other sweetening matter nor flavoured	water
2202	waters, including mineral and aerated waters, containing added sugar or sweetening matter or flavoured; other non-alcoholic beverages	drinks
2203	beer	beer
2208	beverages with an alcohol content of up to 9%, including alcoholic cocktails, classified under 2208 CN FEA heading	cocktail

2209 00	vinegar and substitutes for vinegar obtained from acetic acid	vinegar
2309	preparations of a kind used in animal feeding	preparations
2501 00 91	salt for human consumption	salt
2710 19 710 0	lubricating oils, other oils	petrochemical products
2710 19 750 0		
2710 19 820 0		
2710 19 840 0		
2710 19 860 0		
2710 19 880 0		
2710 19 920 0		
2710 19 940 0		
2710 19 980 0		
2936	provitamins, vitamins	vitamin
3002 20 000	vaccines for human medicine, for retail sale	vaccine
3002 30 000	vaccines for veterinary medicine	vaccine
3003	medicaments for therapeutic or prophylactic use, not packaged for retail sale	medicine
3004	medicaments for therapeutic or prophylactic use, packaged for retail sale, except for the medicine containing insulin or narcotic drugs or psychotropic substances acquired in the centralised manner and provided in the guaranteed manner by the state, for which stamping with a label is not required	medicine

3203 00	colouring matter of vegetable or animal origin (including dyeing extracts but excluding animal black), whether or not chemically defined; preparations based on colouring matter of vegetable or animal origin as specified in note 3 to the given group	dyes
3204	synthetic organic colouring matter, whether or not chemically defined; preparations based on synthetic organic colouring matter as specified in note 3 to the given group; synthetic organic products of a kind used as fluorescent brightening agents or as luminophores, whether or not chemically defined	dyes
3205 00 000 0	colour varnishes; preparations based on colour lakes as specified in note 3 to the given group	varnishes
3206	other coloring matter; preparations as specified in note 3 to the given group and other than those included in headings 3203, 3204 or 3205; inorganic products of a kind used as luminophores, whether or not chemically defined	dyes
3207 10 000 0	prepared pigments, prepared opacifiers, prepared paints and similar preparations	dyes
3208	paints and varnishes (including enamels and lacquers) based on synthetic polymers or chemically modified natural polymers, dispersed or dissolved in a nonaqueous medium; solutions as specified in note 4 to the given group	dyes



3209	paints and varnishes (including enamels and lacquers) based on synthetic or chemically modified natural polymers, dispersed or dissolved in an aqueous medium	dyes
3210 00	other paints and varnishes (including enamels, lacquers and distempers); prepared water pigments of a kind used for finishing leather	dyes
3303 00	pigments and preparations based on titanium dioxide	pigments
3304	beauty or make-up preparations and other preparations for skin care (excluding medicaments), including sunscreen or sun tan preparations, manicure or pedicure preparations;	cosmetics
3305	hair preparations	cosmetics
3306	preparations for oral or dental hygiene, including denture fixative pastes and powders; yarn used to clean between the teeth (dental floss), in individual packages for retail sale	hygiene preparations
3307	pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorisers, whether or not perfumed or having disinfectant properties	care preparations
3401	soap; organic surface-active products and preparations for use as soap (in the form of bars, cakes, moulded pieces or shapes), whether or not	soap

	containing soap; organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap; paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent	
3402	organic surface-active products (other than soap); surface-active preparations, washing preparations (including auxiliary washing preparations) and cleaning preparations, whether or not containing soap (excluding those of heading 3401)	soap

2. The existence of a label on goods produced in the territory of the Republic of Armenia or imported into the Republic of Armenia, bottled or otherwise containerised (packaged), and prescribed by part 1 of this Article shall be mandatory at any stage of alienation within the territory of the Republic of Armenia, where these goods are alienated or consumed in the same container (package) and marketable condition without changing the weight (volume).

**Article 391. Persons bearing the obligation of stamping with excise stamps and/or labels**

1. Organisations and individual entrepreneurs importing goods subject to stamping into the Republic of Armenia from states not considered EAEU members under the customs procedures “Release for domestic consumption” and “Free trade” and from EAEU member states and/or producing goods subject to stamping in the Republic of Armenia shall bear the obligation to stamp with excise stamps and/or labels

(hereinafter referred to also as “stamping” in this Chapter), except for the cases prescribed by this Article.

2. In case goods subject to stamping are produced or bottled or otherwise containerised (packaged) by other taxpayers and are returned to the customers by the order of organisations (except for non-resident organisations not having a permanent establishment) or individual entrepreneurs, the obligation of stamping shall be borne by the customer.

3. In case goods subject to stamping are produced or bottled or otherwise containerised (packaged) by other taxpayers and are returned to the customers by the order of non-resident organisations not having a permanent establishment and non-resident natural persons not having a permanent establishment, the obligation of stamping shall be borne by the person producing or bottling or otherwise containerising (packaging) the goods.

4. In case the right of possession of goods transferred to the pledgee as a collateral and subject to stamping but not stamped passes to the pledgee as prescribed by the legislation, the obligation of stamping shall be borne by the pledgor.

5. In case of a joint activity carried out as prescribed by Chapter 5 of the Code, the obligation of stamping shall be borne by the reporting participant of the joint activity.

6. Organisations and individual entrepreneurs not deemed producers or importers and alienating goods subject to stamping may — until the deadline for alienating by them the goods subject to stamping without stamping prescribed by law — stamp the inventoried stock on hand existing therewith and subject to stamping, as prescribed by the Government of the Republic of Armenia.

In cases prescribed by this part, the regulations prescribed by this Chapter and relevant legal acts ensuring the application of the system of excise stamps and labels for the taxpayers bearing the obligation of stamping shall be applied to the

organisations and individual entrepreneurs not deemed producers or importers and alienating goods subject to stamping.

**Article 392. Not stamping of goods subject to stamping**

1. The following shall not be subject to stamping:

(1) goods imported into the Republic of Armenia as an accompanying baggage by a natural person, not exceeding the value, in kind quantity and number prescribed by the customs legislation of the EAEU and the Republic of Armenia, and subject to stamping;

(2) goods exported from the Republic of Armenia by the taxpayers bearing the obligation of stamping in conformity with Article 391 of the Code and subject to stamping, except for goods exported under the customs procedure “Free trade”;

(3) goods imported into the Republic of Armenia by diplomatic representations and consular offices accredited in the Republic of Armenia, international organisations equivalent thereto and subject to stamping, upon the consent given by the customs authority as prescribed by the Government of the Republic of Armenia.

**Article 393. Procedure for providing excise stamps and/or labels**

1. Excise stamps and/or labels shall be provided to taxpayers bearing the obligation of stamping, pursuant to Article 391 of the Code.

2. Taxpayers producing goods subject to stamping and specified in part 6 of Article 391 of the Code shall receive the excise stamps and/or labels from the tax authority, and taxpayers importing goods subject to stamping into the Republic of Armenia (including from EAEU member states) — from the customs authority.

3. The excise stamps envisaged for the stamping of goods prescribed by part 1 of Article 389 of the Code shall be received before the import of these goods into the Republic of Armenia, and labels envisaged for stamping of goods prescribed by part 1 of Article 390 of the Code — before the alienation of these goods.

4. The excise stamps and/or labels shall be provided on the basis of the request submitted in electronic format and report on the use of excise stamps and/or labels previously received as of the day of submission of the request, within three working days after submitting the request, to the authorised natural person of the organisation having submitted the request (in case of an individual entrepreneur — to the individual entrepreneur or the natural person authorised thereby).

The forms of the request and the report prescribed by this part, as well as the procedure for the completion thereof shall be prescribed by the tax authority.

5. The request for receiving the excise stamps and/or labels shall be rejected where:

- (1) the report specified in part 4 of this Article has not been submitted;
- (2) the penalty prescribed by the Code for the delay of the return of the excise stamps and/or labels within the time limit prescribed, for the failure by the tax or customs authorities to take them back or for the loss thereof has not been paid;
- (3) there are still excise stamps exceeding 5 million units of tobacco products previously acquired and classified under 2402 CN FEA code and/or 300 thousand units of commodity group classified under 2204, 2205, 2206, 2207, 2208, 2402 CN FEA codes.

6. The receipt of excise stamps and/or labels shall be certified by the note.

7. Those bearing the obligation of stamping:

- (1) taxpayers (except for taxpayers considered turnover taxpayers or family entrepreneurship entities pursuant to Section 13 of the Code) shall fill in the registration forms electronically before the alienation of goods, and, where necessary,

shall make adjustments to the registration forms electronically before the alienation of goods;

(2) taxpayers considered turnover taxpayers or family entrepreneurship entities pursuant to Section 13 of the Code need not fill in the registration forms electronically before the alienation of goods where they state all the data subject to registration (except for serial numbers and sequence numbers of labels to be provided) in the request for receiving labels. Where necessary, the taxpayers specified in this point may adjust the data stated in the request for receiving labels previously submitted thereby by filling in the registration forms electronically before the alienation of goods.

8. Within the meaning of part 7 of this Article:

(1) the filling in of registration forms electronically before the alienation of goods subject to stamping and/or submission of the request for receiving labels based on all the data subject to registration shall not be considered an alienation of goods specified in the electronic registration forms or request for receiving labels;

(2) type, subtype (description) of goods subject to stamping, capacity (volume, weight or other units of measurement typical of the given product type), quantity and/or series and sequence numbers (including with space) of relevant excise stamps and/or labels shall be filled in electronically before the alienation of goods subject to stamping.

9. Tax inspectorates and customs offices shall maintain record-keeping cards of excise stamps and/or labels as per type for each producer and each importer (including from EAEU member states) respectively. Quantity, series and numbers of excise stamps and/or labels provided, taken back shall be indicated in the card.

#### **Article 394. Rules for stamping**

1. The stamping of goods shall be carried out by affixing the excise stamps and/or labels received in conformity with Article 393 of the Code to the goods subject to stamping.
2. Where the taxpayers bearing the obligation to stamp with labels alienate goods subject and not subject to stamping with labels in the same packet or in the package of any other form, the stamping thereof and filling in of the registration forms electronically (including adjustments to the registration forms) shall be carried out with respect to the goods subject to stamping with labels only, pursuant to this Article and Article 393 of the Code.
3. Where the taxpayers bearing the obligation to stamp with labels alienate more than one product subject to stamping with labels in the same packet or in the package of any other form, the stamping thereof and filling in of the registration forms electronically (including adjustments to the registration forms) shall be carried out with respect to each product subject to stamping separately, pursuant to this Article and Article 393 of the Code.
4. The taxpayers producing goods subject to stamping or specified in part 6 of Article 391 of the Code may carry out the stamping of goods at any stage of production or preparation for alienation of goods, within the area selected by them, but not later than until the alienation of these goods.
5. The taxpayers importing goods subject to stamping with labels may carry out the stamping of goods prior to the import or after the import of these goods into the territory of the Republic of Armenia, within the area selected by the importer, but not later than until the alienation of these goods.
6. The stamping of goods being imported into the territory of the Republic of Armenia, classified under 2204, 2205, 2206, 2207, 2208, 2402 CN FEA codes with

excise stamps shall be carried out before the import of these goods into the territory of the Republic of Armenia, except for the cases prescribed by this part.

The stamping of goods being imported into the territory of the Republic of Armenia, classified under 2204, 2205, 2206, 2207, 2208, 2402 CN FEA codes, confiscated, declared as ownerless for the benefit of the State or transferred to the State under the right of succession, as well as of cigars or up to 25 000 bottles of alcoholic beverages may be carried out within the territory of the Republic of Armenia before carrying out of customs formalities and under customs control.

7. An undamaged, whole excise stamp and/or label must be affixed to the goods subject to stamping and the registration forms filled in electronically with respect thereto must comply with the type, subtype (description) of goods subject to stamping, capacity (volume, weight or other units of measurement typical of the of the given product type) and the series and number registered electronically.

8. Rules for the stamping of goods (including the position of stamping on each type of the product or packet or package of any form subject to stamping) shall be prescribed by the Government of the Republic of Armenia.

9. The alienation or transfer (provision, allocation) of excise stamps and/or labels to other taxpayers shall be prohibited, except for the transfer of excise stamps and/or labels exported under the customs procedure “Temporary export” (with respect to EAEU member states — “Customs transit”) to a foreign contracting party, transfer thereof by the customer to taxpayers producing or bottling or otherwise containerising goods subject to stamping specified in part 2 of Article 391 of the Code, as well as transfer thereof to taxpayers providing services (actions) subject to stamping.



**Article 395. Prescribing the samples of excise stamps and/or labels and technical requirements thereof**

1. The samples, size, form, colour and technical requirements of excise stamps and/or labels applied for the stamping of goods produced in the Republic of Armenia or imported into the territory of the Republic of Armenia shall be prescribed by the tax and/or customs authorities.
2. Excise stamps and/or labels of goods subject to stamping produced in the Republic of Armenia and imported into the territory of the Republic of Armenia must be distinguished by colour and the inscription “domestic” or “imported” respectively.
3. The excise stamps and/or labels must ensure the visibility of the name, address, TIN of the producer or importer of goods, type, subtype (description) of the goods, capacity of the goods (volume, weight or other unit of measurement typical of the given product type, except for the labels envisaged for the stamping of goods classified under 3304, 3305, 3401 and 3402 CN FEA codes, prescribed by Article 390 of the Code, for which it is impossible to determine the relevant unit of measurement) through electronic portable device of general use operating with Apple iOS 6, Android 4, Windows Phone 8, as well as any of equivalent or other higher operating systems.
4. After the excise stamp and/or label has been affixed (stamped) to the goods subject to stamping, the possibility of removing it without damage must be ruled out.

**Article 396. Return of unused or damaged excise stamps and/or labels**

1. Unused excise stamps and/or labels shall be returned within a period of six months following the month of receiving them.

The time limit specified shall — upon the application of the taxpayer — be extended by the tax or customs authority for a period specified in the application, but not more than 90 days.

2. Damaged excise stamps and/or labels shall be returned in accordance with the results of each semester, until the 20<sup>th</sup> inclusive of the month following the the semester.

3. Unused or damaged excise stamps and/or labels with the inscription “domestic” shall be returned to the tax authority by the taxpayer, and excise stamps and/or labels with the inscription “imported” — to the customs authority, upon the application of the taxpayer.

4. The tax or customs authority shall — within ten working days after receiving the application — check the conformity of damaged excise stamps and/or labels with the requirements of part 6 of this Article and adopt a decision on the conformity (non-conformity) thereof with these requirements and notify the taxpayer within two working days following the day of adopting the decision.

5. The tax or customs authority shall take the unused excise stamps and/or labels back without checking the conformity thereof with the requirements prescribed by part 6 of this Article.

6. The tax or customs authority shall not take the damaged excise stamps and/or labels back where the following conditions have not been observed:

- (1) the excise stamps must be affixed on separate pages without folds and raggedness;
- (2) the series and number of the excise stamp and/or label must be clearly visible;
- (3) in case the excise stamp and/or label is torn, the torn parts must be joined.

## **SECTION 18**

### **LIABILITY FOR VIOLATING OR FAILING TO FULFIL THE REQUIREMENTS PRESCRIBED BY THE CODE**

#### **CHAPTER 76**

##### ***GENERAL PROVISIONS FOR LIABILITY FOR TAX OFFENCES***

###### **Article 397. Tax offence and liability**

1. Illegal action or omission of a taxpayer or a tax agent for which liability is prescribed by the Code and/or the laws of the Republic of Armenia on fees, shall be deemed a tax offence.
2. Liability for tax offences is an independent type of legal liability which is aimed at ensuring the financial sustainability and financial interest of the state through full compensation for material damage caused to the state as a result of violation of the provisions of legal acts regulating tax relations, prescribing additional liability for the taxpayer having committed a tax offence, as well as through compelling him or her to immediately discharge tax liabilities and preventing tax offences in future.
3. Taxpayers or tax agents shall be subjected to liability for tax offences exceptionally in cases and in the procedure prescribed by the Code and the laws of the Republic of Armenia on fees.

###### **Article 398. Recording tax offences**

1. The responsible official of the tax authority shall — immediately after detecting a tax offence in the process of implementing tax administration — draw up a protocol, except for the cases when tax offences are revealed and recorded as a result of

inspections, examinations carried out by the tax authority as prescribed by the Code, or of carrying out operational and intelligence measures as prescribed by law, or record-keeping of tax liabilities in the personal account cards of a taxpayer.

2. The form of and procedure for filling in the protocol shall be approved by the tax authority. The protocol shall contain the following:

- (1) place, year, month, day of drawing up the protocol and its number;
- (2) name, surname of the person having committed a tax offence, full name of the organisation, TIN, where available, address of place of residence (location) thereof, passport data and/or public service number (where known) of the natural person;
- (3) description of a tax offence, period, information obtained and those legal norms the requirements of which have not been fulfilled;
- (4) preliminary calculation of tax liabilities within the limits of information obtained, and legal grounds for imposing liability;
- (5) position, name, surname, signature of the tax official having drawn up the protocol.

3. Relevant documents, photographs, carriers containing electronic information, materials substantiating the fact of tax offence, and other items containing necessary information may be attached to the protocol drawn up.

4. After drawing up the protocol, it shall be submitted to the head of the structural subdivision of the tax authority for further processing. Where administrative or criminal proceedings are initiated based on the protocol drawn up, the protocol shall be maintained in the file of administrative or criminal case, and where proceedings are not initiated, it shall be maintained in the tax records of the taxpayer for the purpose of using during tax control in future.

5. In case of arising — in the personal account cards of a taxpayer maintained with the tax authority — of tax liabilities not discharged in due procedure prescribed by the

Code or the laws of the Republic of Armenia on fees, administrative proceedings shall be initiated as prescribed by the Law of the Republic of Armenia “On fundamentals of administration and administrative proceedings”, where the amount of unpaid tax liability exceeds AMD 200 000 or more than two months have passed after the day of emergence of the tax liability.

**Article 399. General conditions for imposing liability for a tax offence**

1. Taxpayers or tax agents shall not be subject to liability where they have been guided by the official clarifications of the tax authority in the given tax law relation being an object of a tax offence.
2. Taxpayers or tax agents shall be subjected to liability by the tax authority or other state bodies authorised by law, under the inspection act or examination protocol approved as prescribed by the Code, where imposing liability is provided for by the Code as a result of examination or by the administrative act drawn up as a result of the operational and intelligence measure or by another administrative act.
3. When two or more tax offences are committed by a taxpayer or a tax agent, liability shall be imposed for each offence separately.
4. Subjecting a taxpayer or a tax agent to liability for a tax offence shall not exempt from the application of administrative, criminal or other liability prescribed by the legislation of the Republic of Armenia against them or the officials thereof.
5. Imposition of liability shall not exempt the taxpayer from discharge of tax liabilities prescribed by this Code unless otherwise prescribed by the Code.

**Article 400. Types of liability for tax offences**

1. The following types of liability may be imposed for a tax offence:
  - (1) warning;

- (2) fine;
- (3) penalty;
- (4) confiscation of the property which is object of tax offence;
- (5) suspension of activities of the taxpayer.

2. No additional tax liabilities arise in case of warning.

3. In the case of calculation of a fine, additional tax liability shall be calculated as prescribed by Article 401 of the Code, at a fixed rate for each day of failure to pay or late payment of the tax amount.

4. Additional tax liability at a percentage or fixed rate, expressed in drams of the Republic of Armenia, shall be calculated as prescribed by Chapter 77 of the Code for failure to fulfil or fulfilling with violations the requirements prescribed by the Code or the laws of the Republic of Armenia on fees in case of imposition of a penalty.

5. In case of confiscation of property which is an object of tax offence, the property which is an object of tax offence shall, based on the decision on confiscation adopted by the tax authority, be compulsorily taken for gratuitous use under state ownership. In the case of revealing a tax offence providing for confiscation of property which is an object of tax offence, the tax authority shall immediately undertake the measure for putting a lien on the property, as prescribed by the Code, to ensure discharge of tax liabilities. The procedure for compulsorily taking the property under state ownership, maintaining and disposing it shall be prescribed by the Government of the Republic of Armenia.

6. In the case of suspension of activities of a taxpayer, no additional tax liability shall arise. In the cases prescribed by the Code, suspension may be replaced by a penalty.

7. Different types of liability may not be applied for the same tax offence, except for cases prescribed by this Section.

8. No other types of liability shall be applied against the types of liability for tax offences prescribed by this Article.

## **CHAPTER 77**

### ***TYPES OF TAX OFFENCES AND LIABILITY FOR COMMITTING THEM***

#### **Article 401. Late payment of tax**

1. In the case of late payment of tax, a taxpayer or a tax agent shall pay a fine in the amount of 0.075 percent for each day overdue.

2. The fine prescribed by part 1 of this Article shall be applied to the amount of tax not paid in due time (including unpaid by the tax agent in cases prescribed by legal acts regulating tax relations), the amounts of advance tax payments, the amount of tax for the taxable object detected by the results of tax inspections (underreported) for the entire period after the time limit for payment thereof, but not more than for 730 days.

3. Fines shall also be calculated as prescribed by this Article in the following cases:

(1) where the Professional Commission prescribed by point 17 of part 2 of Article 64 of the Code changes or suspends the decisions regarding subsidies, subventions and grant programmes — qualified as privileged — for the VAT amounts paid less or unpaid within the scope thereof;

(2) against the amounts of VAT calculated as prescribed by the Code for goods imported by a taxpayer having the status of an authorised economic operator into the territory of the Republic of Armenia from states not deemed members of EAEU as prescribed by point 37 of part 2 of Article 64 of the Code, starting from the day following the deadline prescribed by the Code for paying amounts of VAT for goods imported into the territory of the Republic of Armenia from states not deemed members of EAEU, where those goods or the goods derived from their processing are

not re-exported from the territory of the Republic of Armenia within 180 days following the day of import.

**Article 402. Late submission of or failure to submit tax calculation report**

1. In case of submitting to the tax authority the tax calculation report (except for the statement on paying patent tax) by taxpayers or tax agents at a later date than prescribed by the Code or the laws of the Republic of Armenia on fees or failure to submit it, a penalty shall be imposed on the taxpayer or the tax agent (also under the inspection act) for each full 15 days (irrespective of whether or not the 15<sup>th</sup> day is a non-working day) following that time limit, in the amount of 5 percent of the sum total of calculated tax.
2. Calculation of the penalty prescribed by this Article shall cease from the date of submitting the relevant tax calculation report to the tax authority or the date of drawing up draft complex tax inspection act on the given tax, and in case of natural persons who are not deemed individual entrepreneurs and a notary — also from the date of another administrative act.
3. The total of penalties prescribed by part 1 of this Article must not exceed the sum total of calculated tax.

**Article 403. Understating the tax amount**

1. In the cases of reporting the tax amount in every tax calculation report (except for the statement on paying patent tax) for every reporting period less than the amount calculated as prescribed by the Code or the laws of the Republic of Armenia on fees, the underreported amount of tax shall be collected, as well as a penalty in the amount of 50 percent of that amount, except for cases prescribed by parts 3 and 4 of this Article.



2. In case of committing the violation mentioned in part 1 of this Article again within one year following the recording the violation in the act drawn up as a result of the complex tax inspection, the underreported amount of tax shall be collected, as well as a penalty in the amount of 100 percent of that amount shall be imposed, except for cases prescribed by parts 3 and 4 of this Article. Within the meaning of this part, the following — within one year after recording the violation — shall be deemed the day of committing the violation again:

(1) the day of actual submission (irrespective of whether or not verified tax calculation reports have later been submitted) of the tax calculation report including a violation, to the tax authority before the time limit prescribed by the Code or the laws of the Republic of Armenia on fees with regard to submitting the tax calculation report to the tax authority;

(2) in the case of submitting the tax calculation report including a violation, to the tax authority after the expiry of the time limit prescribed by the Code or the laws of the Republic of Armenia on fees with regard to submitting the tax calculation report to the tax authority, the last day (irrespective of the day of actual submission of the tax calculation report and irrespective of whether or not verified tax calculation reports have later been submitted) of the time limit prescribed by the Code or the laws of the Republic of Armenia on fees.

3. In the cases of reporting by turnover taxpayers the tax amount in the tax calculation report for each reporting period less than the amount subject to calculation as prescribed by the Code, the underreported amount of tax shall be collected, as well as a penalty in the amount of 100 percent of that amount shall be imposed.

4. Where in the tax calculation report of the relevant reporting period the underreported amount of tax (or a part thereof) has been reported:

(1) in any reporting period preceding the given reporting period, included in the period inspected by the given complex tax inspection, penalties prescribed by parts 1 and 2 of this Article shall not be applied with respect to those amounts;

(2) in any reporting period following the given reporting period, included in the period inspected by the given complex tax inspection, penalties prescribed by parts 1 and 2 of this Article shall be applied by half with respect to those amounts.

Within the meaning of this part, in the reporting periods included in the period preceding the reporting periods, inspected by the given complex tax inspection:

(1) amounts of tax (or a part thereof) reported in excess earlier shall be deemed repaid at the expense of the amounts (or a part thereof) underreported earlier in the tax calculation report of the relevant reporting period;

(2) amounts of tax (or a part thereof) underreported earlier shall be deemed repaid at the expense of the amounts (or a part thereof) reported in excess earlier in the tax calculation report of the relevant reporting period.

#### **Article 404. Overstating the tax loss**

1. In the case of over-reporting the tax loss in the profit tax calculation report submitted to the tax authority for each tax year, the tax loss over-reported for that reporting period shall be reduced in the result of the complex tax inspection, including in the amount carried over to following reporting periods as prescribed by the Code, and a penalty in the amount of AMD 200 000 shall be imposed for over-reporting the tax loss in the profit tax calculation report of each tax year (without taking into account the amount of tax loss carried over from previous tax years) in the amount of one million drams and more.

**Article 405. Failure to maintain accounting as prescribed or to submit accounting data to officials carrying out inspection**

1. In case of detecting during the complex tax inspection the fact of failure by organisations having an obligation to maintain the accounting in compliance with the Law of the Republic of Armenia “On accounting” through computer software, to maintain the accounting through the computer software prescribed by the Law of the Republic of Armenia “On accounting”, or to provide, upon the written request of officials carrying out the complex tax inspection, the copy of the file created through the accounting software (with respect to the concerned period mentioned in the inspection assignment) prescribed by this Article to the officials carrying out inspection on an electronic carrier on the working day following it, a penalty shall be imposed:

(1) in the amount of AMD 5 million calculated as prescribed by the Code against organisations having exceeded the threshold of AMD 1 billion of gross revenue by the results of the previous tax year;

(2) in the amount of AMD 3 million calculated as prescribed by the Code against organisations having exceeded the threshold of AMD 500 million of gross revenue by the results of the previous tax year.

2. In cases prescribed by this Article, provision on an electronic carrier of the copy of the file created through an accounting software to the officials carrying out inspection shall be recorded by an act of delivery and acceptance, which shall be signed by the taxpayer and the officials carrying out inspection.

3. The procedure and conditions for requesting, by the officials carrying out inspection, of the copy of the file created by banks, credit organisations, insurance companies or investment funds through an accounting software, and for providing to the mentioned officials on an electronic carrier shall be prescribed by the Government of the Republic of Armenia.

**Article 406. Violation of the procedure for recording stock-on-hand**

1. In case of detection, during the complex tax inspection, of the shortage prescribed by Article 346 of the Code, a penalty shall be imposed on the VAT payer in the amount of 50 percent of the price (value) of the shortage, and in case of detecting shortage of excisable goods prescribed by Article 87 of the Code — in the amount of the sum total of 50 percent of the price (value) of the shortage and the excise tax amount calculated as prescribed by Section 5 of the Code. In case of committing the violation prescribed by this part or part 2 of this Article again within one year after the recording, a penalty shall be imposed on the VAT payer in the amount of 100 percent of the price (value) of the shortage, and in case of detection of shortage of excisable goods prescribed by Article 87 of the Code — in the amount of the sum total of 100 percent of the price (value) of the shortage and the excise tax amount calculated as prescribed by Section 5 of the Code.

2. In case of detection, during the measuring, of the shortage prescribed by Article 346 of the Code, a penalty shall be imposed on taxpayers in the amount of 50 percent of the price (value) of the shortage, and in case of detection of shortage of excisable goods prescribed by Article 87 of the Code — in the amount of the sum total of 50 percent of the price (value) of the shortage and the excise tax amount calculated as prescribed by Section 5 of the Code. In case of committing the violation prescribed by this part or part 1 of this Article again within one year after recording the violation, a penalty shall be imposed on the taxpayer in the amount of 100 percent of the price (value) of the shortage, and in case of detection of shortage of excisable goods prescribed by Article 87 of the Code — in the amount of the sum total of 100 percent of the price (value) of the shortage and the excise tax amount calculated as prescribed by Section 5 of the Code. The penalty mentioned in this part shall be imposed on the taxpayer:

(1) with sales turnover having exceeded AMD 100 million in any month before the measurements during the tax year when measurements have been conducted;

(2) having exceeded AMD 100 million of the sum total of the customs value of goods imported through customs procedure “Release for domestic consumption” from states not deemed EAEU members, and of the VAT base of (without excise tax) of goods imported from EAEU member states in any month before the measurements during the tax year when measurements have been conducted.

3. Within the meaning of parts 1 and 2 of this Article, committing the violation again shall mean committing the violation prescribed by parts 1 or 2 of this Article within one year from the date of the complex tax inspection act or the measurement protocol until the date of the draft complex tax inspection act or the next draft measurement protocol.

4. In case of detecting shortage by the results of the measurements, the penalty prescribed by part 2 of this Article may be applied only once during each tax year.

5. Penalties prescribed by this Article shall be final tax liabilities with respect to the shortage.

6. The penalty prescribed by this Article shall not be applied, pursuant to Section 13 of the Code, to patent taxpayers with regard to the types of activities deemed an object of taxation under patent tax.

#### **Article 407. Engaging in illegal activities**

1. In case of detection of illegal activities as a result of the operational and intelligence measures carried out as prescribed by the Law of the Republic of Armenia “On operational and intelligence activity”, a penalty shall be imposed in the amount of 50 percent of the entrepreneurial income generated as a result of those activities calculated as prescribed by the Code, but not less than AMD 200 000. Within the meaning of this Article, entrepreneurial activities (except for activities prohibited by

law) conducted without state registration (record-registration) prescribed by law or without record-registration with the tax authority shall be deemed illegal activities.

2. In case a fact of double and recurring violation (irrespective of the type of entrepreneurial activity being carried out) has been recorded as a result of operational and intelligence measures within one year after the violation prescribed by part 1 of this Article has been recorded, a penalty shall be imposed in the amount of 100 percent of the entrepreneurial income calculated in compliance with the Code as a result of those activities, but not less than AMD 500 000.

3. Where, pursuant to the Law of the Republic of Armenia “On licensing”, the illegal activities being carried out are subject to licensing or, pursuant to the Law of the Republic of Armenia “On notification of carrying out activities”, are subject to notification, a compensation for damages shall also be imposed — besides the penalties prescribed by parts 1 and 2 of this Article — with respect to each type of activity, on persons having committed violations in the amount equal to the rate of the state duty (in case of an object for collecting annual state duty — equal to the state duty for one year) prescribed by law for issuing a licence or obtaining the right to engage in activities subject to notification. Where more than one types of illegal activities subject to licensing or notification are carried out and/or they are carried out in more than one places (in case of the requirement prescribed by law for carrying out the activities subject to licensing or notification only in the place mentioned in the licence or notification), compensation for damages in the amount of the state duty shall be made for each type of activity and/or for each place for carrying out activities separately, in the amount equal to the rate of the state duty prescribed by law.

4. During operative intelligence measures carried out for the purpose of detecting the violations prescribed by this Article, the official of the tax authority shall — upon the request of the taxpayer — submit the extract of the decision on carrying out operative intelligence measures.

5. Penalties prescribed by parts 1 and 2 of this Article shall be final tax liability with respect to illegal activities for those carrying out such activities.

6. Within the meaning of applying the penalties prescribed by this Article, in case of impossibility to determine the income of the person carrying out illegal activities entrepreneurial income shall be determined by the tax authorities by applying the procedure prescribed by the Code for the indirect assessment of tax bases and tax liabilities.

7. Within the meaning of applying the legal acts regulating tax relations, the following activities conducted by citizens shall not be deemed entrepreneurial activity:

(1) alienation of personal property (including immovable property) and items, except for cases prescribed by the Code;

(2) transfer of property for lease or gratuitous use (except for cases prescribed by the Code), alienation of intangible assets and gaining interests;

(3) activities of a family member who is not a hired worker, exclusively within the scope of family entrepreneurship activities;

(4) transfer of electric power generated by a natural person being an independent energy generator using renewable energy resources for his or her needs — who is not an individual entrepreneur or a notary — to a person having a licence for distribution of electric power, including compensations received for such actions, where the rated capacity of their installations generating electric power does not exceed the total capacity of their located consumers of electric power, but not more than 150 kW;

(5) performance of works for the tax agent and/or provision of services to the tax agent within the framework of civil law contracts.

8. This article shall not apply:

(1) to natural persons who are not individual entrepreneurs record-registered and having obtained a patent as prescribed, with respect to that part of activities;

- (2) to natural persons directly engaged in the production and sales of agricultural products, with respect to that part of activities, as well as to those natural persons, the entrepreneurial activities carried out whereby may — as prescribed by law — be carried out without state record-registration, with respect to that part of activities;
- (3) to a non-resident natural person having a permanent establishment in the Republic of Armenia, with respect to the activities attributed to that permanent establishment.

**Article 408. Carrying out activities subject to licensing or notification without a licence or notification, or using the subsurface or natural resources without a permit or licence**

1. In case of carrying out activities subject to licensing in compliance with the Law of the Republic of Armenia “On licensing” without a licence or carrying out activities subject to notification in compliance with the Law of the Republic of Armenia “On notification of carrying out activities” without notification, or using the subsurface or natural resources without a permit or licence (including where the validity of the licence or permit or the right to engage in activities subject to notification have been suspended as prescribed by law), detected during complex tax inspections and/or as a result of the operational and intelligence measures carried out as prescribed by the Law of the Republic of Armenia “On operational and intelligence activity”, a penalty shall be imposed on the organisation or an individual entrepreneur with respect to each type of activity, in the amount of the ten-fold of the state duty rate prescribed by law for issuing a licence or permit or obtaining the right to engage in activities subject to notification, but not less than AMD 500 000.
2. In case of detecting — by a complex tax inspection and/or as a result of operational and intelligence measures — the fact of double and recurring violation within one year after recording the violation prescribed by part 1 of this Article, a



penalty shall be imposed on the organisation or individual entrepreneur in the amount of the twenty-fold of the state duty rate prescribed by law for issuing a licence or permit or obtaining the right to engage in activities subject to notification, but not less than AMD 1 million. Within the meaning of this Article, a violation shall be deemed double irrespective of the type of activity subject to licensing or notification or permitting.

3. In cases of detection of violations prescribed by parts 1 and 2 of this Article, compensation for damages in the amount equal to the state duty (in the case of an object of annual state duty — to the state duty for one year) rate prescribed by law for issuing the licence or obtaining the right to engage in activities subject to notification shall also be imposed on the organisation or individual entrepreneur having committed violations with respect to each type of activity. Where more than one types of activities subject to licensing or notification are carried out and/or they are carried out in more than one places (in case of the requirement prescribed by law for carrying out the activities subject to licensing or notification only in the place mentioned in the licence or notification), compensation for damages in the amount of the state duty shall be paid for each type of activity and/or for each place of operation separately in the amount corresponding to the rates prescribed by law. Compensation for damages prescribed by this part shall not be paid in the case mentioned in part 6 of this Article, as well as in cases when the validity of the licence or the right to engage in activities subject to notification has been suspended as prescribed by law.

4. During operative intelligence measures carried out for the purpose of detecting the violations prescribed by this Article, the official of the tax authority shall — upon the request of the taxpayer or the official thereof — submit the extract of the decision on carrying out operative intelligence measures.

5. Penalties prescribed by parts 1 and 2 of this Article shall not be applied in cases where the validity of the licence or permit or the right to engage in activities subject to

notification has been suspended without the decision of the licensing authority, irrespective of whether or not it has been suspended by virtue of law.

6. Penalties equal to the amounts prescribed by parts 1 and 2 of this Article shall be applied in the result of a complex tax inspection to those organisations and individual entrepreneurs having submitted a notification of types of activities prescribed by the Law of the Republic of Armenia “On notification of carrying out activities”, who are restrained by the same law to reflect through cash register machines more than ten percent of the sum total of the sales turnover calculated as prescribed by the Code, the VAT and excise tax corresponding thereto, in case of exceeding that threshold by the results of any month in a tax year. Within the meaning of this part:

(1) threshold of sales turnover refers to the sales turnover of the taxpayer with respect to all types of activities, calculated as prescribed by the Code, irrespective of whether or not the activities are subject to notification and irrespective of the types of activities being carried out;

(2) penalties prescribed by parts 1 and 2 of this Article shall be calculated in the total of relevant multiplied amounts equal to state duty rates prescribed by law for obtaining the right to engage only in types of activities subject to notification, prescribed by this part, as submitted by notifications of the organisation or individual entrepreneur.

#### **Article 409. Engaging in a prohibited activity**

1. In case of detection — during complex tax inspections and/or as a result of the operational and intelligence measures carried out as prescribed by the Law of the Republic of Armenia “On operational and intelligence activity” — of activities prohibited by law, a penalty shall be imposed in the amount of 100 percent of the sales turnover as a result of those activities calculated as prescribed by the Code but not less than AMD 10 million.

2. Within the meaning of this Article:

(1) those activities (including the action and function) performance whereof is prohibited in the Republic of Armenia (including in territories prescribed by law) or performance whereof is prohibited for a certain group of persons shall be deemed prohibited activities;

(2) carrying out activities subject to licensing or notification without a licence or notification, or using the subsurface or natural resources without a permit or licence shall not be deemed prohibited activities, except for cases where performance thereof is prohibited for the given group of persons.

3. For persons not having state registration (record-registration) as prescribed, the penalty stipulated in part 1 of this Article shall be a final tax liability with respect to the prohibited activities.

4. With regard to applying the penalties for carrying out prohibited activities prescribed by part 1 of this Article, in case of impossibility to determine the sales turnover of the person carrying out prohibited activities, sales turnover shall be determined by the tax authorities by applying the procedure prescribed by the Code for the indirect assessment of tax bases and tax liabilities.

5. During operative intelligence measures carried out for the purpose of detecting the violations prescribed by this Article, the extract of the decision on carrying out operative intelligence measures shall be submitted upon request of the taxpayer or the official thereof.

**Article 410. Violation of mandatory requirements for the documentation of transactions involving supply or transportation of goods**

1. In case of detection of violation of the requirements prescribed by the Code for the documentation of supply or transportation of goods, i.e. supply or transportation

of goods with an accompanying document not meeting the requirements prescribed by the Code or without an accompanying document, during the operational and intelligence measures carried out as prescribed by the Law of the Republic of Armenia “On operational and intelligence activity”, except for cases prescribed by this Article, with respect to a transaction or an action which is a ground for violation:

(1) a penalty shall be imposed in the amount of 50 percent of the price (value) of the goods, but not less than AMD 200 000;

(2) where within one year after the violation mentioned in point 1 of this part has been recorded:

a. for the second time — a penalty shall be imposed in the amount of 100 percent of the price (value) of undocumented goods, but not less than AMD 500 000;

b. for the third time and further on — a penalty shall be imposed in the amount of 200 percent of the price (value) of undocumented goods, but not less than AMD 1 million.

2. Within the meaning of part 1 of this Article:

(1) a transaction or an action shall be deemed a ground for violation, where the violation of the requirements prescribed by the Code for the documentation of the supply or transportation of goods has actually been committed within the time limits prescribed by law for carrying out operational and intelligence measures;

(2) repeated occurrence of the violation prescribed by part 1 of this Article for the second, third and more times respectively within one year after the day of entry into force of the administrative act drawn up as a result of the operational and intelligence measures until the day of adoption of the administrative act being drawn up as a result of the operational and intelligence measures shall be deemed a fact of committing the violation for the second, third and more time.

3. In case of detection of violation — committed by taxpayers deemed a family entrepreneurship entity as prescribed by the Code — of the requirements prescribed by the Code for the documentation of supply or transportation of goods, i.e. supply or transportation of goods with an accompanying document not meeting the requirements prescribed by the Code or without an accompanying document, during the operational and intelligence measures carried out as prescribed by the Law of the Republic of Armenia “On operational and intelligence activity”, a warning shall be applied, and in case the second fact prescribed by this part is recorded within one year after the application of the warning, the taxpayer shall cease to be deemed a family entrepreneurship entity from the day following the day of entry into force of the administrative act.

4. Within the meaning of part 3 of this Article:

(1) a transaction or an action shall be deemed a ground for violation, where the violation of the requirements prescribed by the Code for the documentation of the supply or transportation of goods has actually been committed at the moment of carrying out operational and intelligence measures;

(2) repeated occurrence of the violation prescribed by this part within one year after the day of entry into force of the administrative act drawn up as a result of the operational and intelligence measures until the day of adoption of the administrative act drawn up as a result of the operational and intelligence measures, shall be deemed the second fact of committing the violation.

5. In case of detection of violation — committed by a taxpayer carrying out activities in border communities with unused lands due to military actions, included in the list approved by the Government of the Republic of Armenia and enjoying tax benefits — of the requirements prescribed by the Code for the documentation of supply or transportation of goods, i.e. supply or transportation of goods with an accompanying document not meeting the requirements prescribed by the Code or without an

accompanying document, during the operational and intelligence measures, the type of liability prescribed by part 1 of this Article shall be applied. In case of detection of the violation prescribed by sub-point “a” of point 2 of part 1 of this Article, the taxpayer shall cease — from the day following the day of entry into force of the relevant administrative act — enjoying the benefit of exemption from taxes for the remaining period of the given year and in the course of one year following it.

6. In case the violations prescribed by this Article are detected and recorded as prescribed by the Law of the Republic of Armenia “On operational and intelligence activity”, all the violations recorded during the same operational and intelligence measure carried out within the scope of the decision on conducting an operational and intelligence measure shall be considered and discussed within the framework of the same administrative proceedings as one case of recording a fact of violation.

7. During operative intelligence measures carried out for the purpose of detecting the violations prescribed by this Article, the extract of the decision on carrying out operative intelligence measures shall be submitted upon request of the taxpayer or the official thereof.

8. Within the meaning of applying the penalties prescribed by this Article, in case of impossibility to determine the price (value) of goods, the weighted average price of sales (realisation) of the same goods substantiated with both-side settlement documents by the taxpayer in the quarter of detecting the violation shall be deemed price (value) of the goods. Where the price of sales (realisation) of the same goods substantiated with both-side settlement documents are absent with the taxpayer in the quarter when the violation has been detected by the tax authority, the price (value) of the goods shall be calculated by the tax authority by applying the procedure prescribed by the Code for the indirect assessment of tax bases and tax liability.

9. In case of being transported by taxpayers acquiring goods with respect to goods supplied or transported without an accompanying document, the penalty prescribed

by this Article shall not be applied to a taxpayer acquiring the goods, where the fact that the goods have been acquired from another taxpayer and the given taxpayer has not provided an accompanying document is substantiated at the time of recording the violation. In this case the penalty shall be applied to the taxpayer selling goods without providing an accompanying settlement document.

10. The provisions of this Article shall not apply to banks, insurance companies, professional participants in the securities market, payment and settlement and credit organisations, patent taxpayers, with respect to those activities.

11. Provisions of this Article shall be applicable to non-commercial organisations only with respect to entrepreneurial activities.

**Article 411. Failure to post prescribed information at the taxpayer's address of carrying out activities**

1. In case of failure by the taxpayer to post an announcement (mentioning the full name of the taxpayer; in case of individual entrepreneurs — the name, surname, patronymic of the natural person) prescribed by the tax authority at a more visible place (and in places of location and/or places of adoption of management decisions, of operational financial administration — on relevant signboards) of each address of carrying out activities thereof, the TIN, the address of the given place of activities and the type(s) of activities carried out at the given address, a penalty shall be imposed in the amount of AMD 50 000 by a complex tax inspection, with respect to information not posted at each address.

2. In case of committing the violation prescribed by part 1 of this Article again within one year after recording it by a complex tax inspection act, a penalty shall be imposed in the amount of AMD 100 000 with respect to each information not posted.

3. Within the meaning of this Article, committing the violation prescribed by part 1 of this Article within one year from the date of the complex tax inspection act until the date of the next draft complex tax inspection act shall be deemed committing the violation again.

**Article 412. Failure to document the recruitment of a worker as prescribed by the legislation of the Republic of Armenia and/or to submit an application for registration of a worker within the time limit prescribed**

1. In case of failure to document the recruitment of a worker in writing as prescribed by the legislation of the Republic of Armenia (i.e. absence of an individual legal act and a written contract on recruitment of the worker) and/or in case the fact of failure to submit an application on registration of a new worker within the time limit prescribed by part 2 of Article 156 of the Code is recorded, as prescribed by the Government of the Republic of Armenia, during the complex or thematic tax inspections carried out by the tax authority, and during the operational and intelligence measures taken against those entities carrying out illegal activities, a penalty shall be imposed on the employer (including on those carrying out illegal activities or on natural persons record-registered and being granted a patent who are not individual entrepreneurs) for each not documented hired worker in the amount of:

- (1) AMD 60 000 where the number of undocumented hired workers and/or those who work without an application on registration is from one to three;
- (2) AMD 150 000 where the number of undocumented hired workers and/or those who work without an application on registration is from four to six;
- (3) AMD 300 000 where the number of undocumented hired workers and/or those who work without an application on registration is from seven to nine;



(4) AMD 600 000 where the number of undocumented hired workers and/or those who work without an application on registration exceeds nine.

2. Within the meaning of part 1 of this Article, the penalty prescribed for the failure to submit an application on registration of a new worker within the time limit prescribed by part 2 of Article 156 of the Code shall be applied only in the case, where an actual performer of work has been detected by a complex or thematic tax inspection, the application on registration for whom has not been submitted by the end of the day preceding the day of actually commencing the inspection.

#### **Article 413. Property which is object of tax offence**

1. Property which is an object of tax offence shall be subject to confiscation as prescribed by part 5 of Article 400 of the Code:

(1) in the case of realisation of unstamped goods which are subject to stamping with label stamps or stamps as prescribed by Articles 389 and 390 of the Code, as well as stamped with illegally acquired label stamps or stamps;

(2) in the case of violation of the rule for stamping with excise stamps and/or label stamps prescribed by Article 424 of the Code, where the total value of goods being alienated exceeds AMD 50 000 based on the prices indicated (and in case of not being indicated — as prescribed by the Code) with the seller;

(3) in the case of realisation of goods included in the list prescribed by the Government of the Republic of Armenia, while conducting illegal activities prescribed by Article 407 of the Code.

**Article 414. Failure to register operations for purchase and sale of foreign currency as prescribed**

1. In case of failure by those carrying out activities of purchase and sale of foreign currency, broker/dealer purchase and sale of foreign currency to register operations for purchase and sale of foreign currency as prescribed by the Central Bank of the Republic of Armenia, a penalty shall be imposed on taxpayers in the amount of 25 percent of the sum total of the currency exchanged through the unregistered operation, expressed in drams of the Republic of Armenia.
2. In case of committing the violation prescribed by part 1 of this Article again within one year after the violation has been recorded by the tax authority, a penalty shall be imposed in the amount of 50 percent of the sum total of the currency exchanged through the unregistered operation, expressed in drams of the Republic of Armenia.
3. Within the meaning of this Article, committing the violation prescribed by part 1 of this Article within one year from the date of the complex or thematic tax inspection act or the examination protocol until the date of the next draft complex or thematic tax inspection act or the draft examination protocol shall be deemed committing the violation again.

**Article 415. Issuing and/or receiving paper-transfer documents**

1. By the results of a complex tax inspection, a penalty shall be imposed on the organisation, individual entrepreneur or notary having issued and/or received paper-transfer documents in the amount of the deviation (in monetary terms) prescribed by the Code for it to be deemed paper-transfer mentioned in the document certifying the actual performance of the transaction (supplied goods, provided services or performed works), and in case no actual transaction has been made between the parties — of the amount mentioned in the paper-transfer document. In case the

amount of penalty calculated in compliance with this part is less than AMD 1 million, the penalty shall be applied in the amount of AMD 1 million.

2. In case of repeating the violation prescribed by part 1 of this Article again within one year after the violation has been recorded by the tax authority, by the results of the complex tax inspection, a penalty shall be imposed on the organisation, individual entrepreneur or notary having issued and/or received paper-transfer documents in the amount of two-fold of the deviation (in monetary terms) prescribed by the Code for it to be deemed paper-transfer mentioned in the document certifying the actual performance of the transaction (supplied goods, provided services or performed works), and in case no actual transaction has been made between the parties — in the amount of two-fold of the amount mentioned in the paper-transfer document. In case the amount of penalty calculated in compliance with this part is less than AMD 2 million, the penalty shall be applied in the amount of AMD 2 million.

3. Within the meaning of this Article, committing the violation prescribed by part 1 of this Article within one year from the date of the complex tax inspection act until the date of the next draft complex tax inspection act shall be deemed committing the violation again.

4. The penalty prescribed by this Article shall be applied to the organisation, individual entrepreneur or notary having received a paper-transfer document only in the case where the document has been certified by the receiver and served as a ground for the calculation and/or payment of taxes and/or fees.

**Article 416. Failure to comply with the rules for the application of cash register machines and/or for cash settlements made by cash register machines**

1. In cases prescribed by part 1 of Article 380 of the Code, a penalty shall be imposed on an organisation, individual entrepreneur or a notary for the absence — at the

moment and at the place of making cash settlements in cash — of a cash register machine which meets the technical requirements and is registered with the tax authority at the address of that place, or for non-registration with the tax authority of a cash register machine at the address of that place which meets the technical requirements:

(1) in the amount of AMD 300 000, except for the case prescribed by point 2 of this part;

(2) in the amount of AMD 1 million, with respect to activities of public catering carried out in a public catering facility, where those activities are not deemed a patent taxable object pursuant to points 2 or 5 of part 3 of Article 276 of the Code.

2. In case of repeating the violation prescribed by part 1 of this Article within one year after it has been recorded by the tax authority, an organisation, individual entrepreneur or a notary shall pay a penalty:

(1) in the amount of AMD 600 000, and the activities of the organisation or individual entrepreneur shall be suspended at that place and with that respect until availability of a cash register machine registered, as prescribed, with the tax authority at the address of that place, with respect to the activities;

(2) in the amount of AMD 2 million, with respect to activities of public catering carried out in a public catering facility, where those activities are not deemed a patent taxable object pursuant to points 2 or 5 of part 3 of Article 276 of the Code, and the activities thereof shall be suspended at that place and with that respect until availability of a cash register machine registered, as prescribed, with the tax authority at the address of that place, with respect to the activities.

3. An organisation, individual entrepreneur or a notary shall be penalised for violation of the rules for using cash register machines:

(1) in the amount of AMD 150 000, except for the case prescribed by point 2 of this part;

(2) in the amount of AMD 600 000, with respect to activities of public catering carried out in a public catering facility, where those activities are not deemed a patent taxable object pursuant to points 2 or 5 of part 3 of Article 276 of the Code.

4. In case of repeating the violation prescribed by part 3 of this Article for the first time within one year after it has been recorded by the tax authority, an organisation, individual entrepreneur or a notary shall be penalised:

(1) in the amount of 0.7 percent of the turnover recorded by cash register machines installed in the place of carrying out the given activities (trading facility or place of providing a service) during the previous quarter, but not less than AMD 300 000, except for the case prescribed by point 2 of this part, and the activities of the organisation or individual entrepreneur shall be suspended in the given place and with that respect for five days;

(2) pursuant to points 2 or 5 of part 3 of Article 276 of the Code, with respect to the activities carried out in the sector of public catering not deemed a patent taxable object, in the amount of 0.7 percent of the turnover recorded by cash register machines installed in the place of carrying out the given activities during the previous quarter, but not less than AMD 1 million, and the activities thereof shall be suspended in that place and with that respect for five days.

5. In case of repeating the violation prescribed by part 3 of this Article for the second time and further on within one year after it has been recorded by the tax authority, an organisation, individual entrepreneur or a notary shall be penalised:

(1) in the amount of 0.7 percent of the turnover recorded by cash register machines installed in the place of carrying out the given activities (trading facility or place of providing a service) during the previous quarter, but not less than AMD 600 000, except for the case prescribed by point 2 of this part, and the activities of the organisation or individual entrepreneur shall be suspended in the given place and with that respect for ten days;

(2) pursuant to points 2 or 5 of part 3 of Article 276 of the Code, with respect to the activities carried out in the sector of public catering not deemed a patent taxable object, in the amount of 0.7 percent of the turnover recorded by cash register machines installed in the place of carrying out the given activities during the previous quarter, but not less than AMD 2 million, and the activities thereof shall be suspended in that place and with that respect for ten days.

6. Irrespective of the provisions of part 1 of this Article, in the case of detection for the first time — at the moment and place of making cash settlements — of use of a cash register machine registered with the tax authority at that address, but not meeting the technical requirements prescribed by the Government of the Republic of Armenia for a cash register machine, a warning shall be applied. The case of violation prescribed by this part, serving as a ground for applying a warning, shall not be included in the calculation of cases of violation prescribed by parts 1 and 2 of this Article.

7. In the cases prescribed by parts 2, 4 and 5 of this Article, penalties prescribed for repeating the violation shall be applied pursuant to points 2 or 5 of part 3 of Article 276 of the Code, separately for the types of activities carried out in the sector of public catering not deemed a patent taxable object and other types of activities. Repeating the same violation shall be deemed a violation committed for the second time and further on, where the violation committed refers to the same types of activities mentioned in this part.

8. In cases prescribed by parts 4 and 5 of this Article, suspension of activities of a taxpayer may be replaced with payment of a penalty in case the taxpayer submits the written application and when paying the penalty being calculated in the amount prescribed by this part. The penalty shall be paid for each day of failure to apply the suspension in the amount of 0.7 percent of the average daily turnover recorded by all cash register machines installed in the place of carrying out the given activities (trading facility or place of providing a service) during the previous quarter, but not

less than AMD 60 000. The day following the date of submitting the application shall be deemed the day of recording the amount of penalty. In case of submitting an application before the suspension of activities, the penalty prescribed by this part shall be paid for the consecutive days after suspension of activities mentioned in the application. In case of submitting an application during the suspension, the penalty prescribed by this part shall be paid for each day starting from the day following the date of submission of the application until the end of the suspension. In case of submitting an application during the period of suspension, the suspension shall be terminated from the day following the submission of the application. No verified application shall be submitted before the suspension of activities or during the suspension, and it shall not be accepted by the tax authority if submitted. The form of the application prescribed by this part shall be determined by the tax authority.

9. In cases prescribed by parts 4 and 5 of this Article, the turnover recorded during the previous quarter by cash register machines installed in the places of carrying out activities (trade facilities or places of providing a service), with respect where to violations have been recorded, shall be taken as grounds when calculating the amount of the penalty.

10. The suspension of activities prescribed by this Article shall be carried out as prescribed by Article 384 of the Code.

11. An announcement on the grounds for suspension of activities shall be posted in a place visible to buyers and customers.

#### **Article 417. Failure to comply with the rules for suspension of activities**

1. In case of damaging for the first time — during the suspension of activities — the means for sealing, lead-sealing, stamping, the digital, letter or other means of stamping the entrance(s) of the territory of the place of suspension of activities or other possible ways to enter the territory and carrying out in the place of suspension

activities, a function or an action mentioned in the decision on suspension, for the first time, a penalty shall be imposed on the organisation or individual entrepreneur in the amount of AMD 300 000.

2. In case of repeating the violation prescribed by part 1 of this Article during the suspension of activities for the second time and further on, a penalty shall be imposed on the organisation or individual entrepreneur in the amount of AMD 2 million by the same decision on suspension.

**Article 418. Failure to register cash register operations in the cash book, violation of the rules for maintaining a cash book**

1. In case of failure to register cash register operation in the cash book, a penalty shall be imposed on the taxpayer in the amount of AMD 50 000.

2. In case of committing the violation prescribed by part 1 of this Article again within one year following the recording thereof by a complex tax inspection act, a penalty shall be imposed on the taxpayer in the amount of AMD 100 000.

3. In case of violating the procedure prescribed for registration or maintenance of the cash book, a penalty shall be imposed on the taxpayer in the amount of AMD 20 000.

4. In case of committing the violation prescribed by part 3 of this Article again within one year following the recording thereof by a complex tax inspection act, a penalty shall be imposed on the taxpayer in the amount of AMD 50 000.

5. Within the meaning of parts 2 and 4 of this Article, committing the violation prescribed by parts 1 or 3 of this Article respectively within one year from the date of the complex tax inspection act until the date of the next draft complex tax inspection act shall be deemed committing the violation again.



**Article 419. Failure to comply with restrictions on cash register operations**

1. In case of failure to comply with the restrictions on payment of amounts in cash prescribed by Article 386 of the Code, a penalty shall be imposed on the taxpayer in the amount of five percent of the sum total of the amounts exceeding permissible limit of payment of amounts in cash (violation amounts), but not less than AMD 500 000, and not more than AMD 2 million.

2. In case of committing the violation mentioned in part 1 of this Article again within one year after it has been recorded, a penalty shall be imposed on the taxpayer in the amount of ten percent of the sum total of violation amounts, but not less than AMD 1 million, and not more than AMD 4 million.

3. In case of failure to comply with the restrictions on receiving amounts in cash prescribed by Article 386 of the Code, a penalty shall be imposed on the taxpayer in the amount of five percent of the sum total of the amounts exceeding the permissible limit for accepting amounts in cash (violation amounts), but not less than AMD 500 000, and not more than AMD 2 million.

4. In case of committing the violation mentioned in part 3 of this Article again within one year after it has been recorded, a penalty shall be imposed on the taxpayer in the amount of ten percent of the sum total of violation amounts, but not less than AMD 1 million, and not more than AMD 4 million.

5. The penalties prescribed by parts 1 and 2 of this Article for the failure to comply with the restrictions on payment of amounts in cash and/or accepting amounts in cash prescribed by Article 386 of the Code shall be applied in the period covered by the complex tax inspection:

(1) to the total of violation amounts of the maximum limits of payment of amounts in cash prescribed by the Code for each transaction involving acquisition of goods, accepting works, receiving services;

(2) to the total of violation amounts of the maximum limits for accepting amounts in cash prescribed by the Code for each transaction involving supply of goods, performance of works, provision of services;

(3) to the total of violation amounts of the maximum limit for payment of an amount in cash prescribed by the Code for transactions involving acquisition of goods, accepting works, receiving services during one month;

(4) to the total of violation amounts of the maximum limit for payment of an amount in cash prescribed by the Code for transactions involving supply of goods, performance of works, provision of services during one month.

6. Within the meaning of the following points of part 5 of this Article:

(1) point 3 — amounts paid in cash for those transactions involving acquisition of goods, accepting works, receiving services, with respect whereto the maximum limits for payment of amounts in cash for each transaction involving acquisition of goods, accepting works, receiving services prescribed by Article 386 of the Code have been violated, shall not be included in the sum total of violation amounts;

(2) point 4 — amounts received in cash for those transactions involving supply of goods, performance of works, provision of services, with respect whereto the maximum limits for payment of amounts in cash for each transaction involving supply of goods, performance of works, provision of services, prescribed by Article 386 of the Code have been violated, shall not be included in the sum total of violation amounts.

7. Within the meaning of parts 2 and 4 of this Article, committing the violation prescribed by parts 1 or 3 of this Article respectively within one year from the date of the complex tax inspection act until the date of the next draft complex tax inspection act shall be deemed committing the violation again.

**Article 420. Calculating less the baseline data or coefficient for calculation of patent tax**

1. In cases the amount of baseline data of patent tax mentioned in the patent granted for each place of carrying out activities with respect to the types of activities deemed a patent taxable object is less than the amount of baseline data detected by a complex or thematic tax inspection and/or the relevant coefficients prescribed by Article 279 of the Code are not applied, the patent tax calculated less for the given period and a penalty in the amount of 50 percent of the patent tax calculated less shall be imposed on the patent taxpayer, except for cases prescribed by part 5 of this Article.
2. In case of committing the violation mentioned in part 1 of this Article again with respect to the same type of activity deemed a patent taxable object within one year after the violation has been recorded, the patent tax calculated less for the given period and a penalty equal to the patent tax amount calculated less shall be imposed on the taxpayer, except for cases prescribed by part 6 of this Article.
3. The liability prescribed by this Article shall be applied to all the periods where the baseline data and/or coefficient mentioned in patents covering such periods is less than the baseline data and/or coefficient determined in compliance with the Code for the relevant period recorded by the tax authority.
4. In case of impossibility to determine the period of committing the violation for applying the liability prescribed by this Article, the given period shall be taken not less than three months.
5. Pursuant to the Law of the Republic of Armenia “On tax exemption for activities carried out in border communities”, a warning shall be applied to patent taxpayers having committed the violations prescribed by this Article with respect to the types of activities exempted from the patent tax.
6. In the case of committing the violation mentioned in part 5 of this Article again with respect to the same type of activity deemed a patent taxable object within a year

after the violation has been recorded, patent taxpayers carrying out activities exempted from the patent tax shall cease enjoying the benefit of exemption from the patent tax prescribed by the Law of the Republic of Armenia “On tax exemption for activities carried out in border communities” from 1<sup>st</sup> day of the month following the month including the day when the violation has been recorded by the tax authority, and with respect to that type of activity the patent tax shall be calculated and paid as prescribed by the Code.

7. Within the meaning of parts 2 and 6 of this Article, committing the violation prescribed by parts 1 or 5 of this Article respectively within one year from the date of the complex or thematic tax inspection act until the date of the next draft complex or thematic tax inspection act shall be deemed committing the violation again.

#### **Article 421. Carrying out activities without a patent**

1. In case of detecting by a complex or thematic tax inspection the fact of engagement without a patent in a type(s) of activities deemed a patent taxable object, in the given place of carrying out activities, a penalty shall be imposed on the organisation and individual entrepreneur for the period (but not less than for three months) of actually carrying out the activities without a patent in the two-fold of the patent tax amount calculated as prescribed by Chapter 57 of the Code, except for cases prescribed by part 2 of this Article. The coefficient prescribed by part 1 of Article 279 of the Code shall not be taken into account for the calculation of the penalty prescribed by this part.

2. Pursuant to the Law of the Republic of Armenia “On tax exemption for activities carried out in border communities”, a warning shall be applied to organisations and individual entrepreneurs having committed the violations prescribed by this Article with respect to the types of activities exempted from the patent tax.

3. In case of committing the violation mentioned in part 2 of this Article again with respect to the same type of activity deemed a patent taxable object within a year following the recording by the complex or thematic tax inspection act, organisations and individual entrepreneurs carrying out activities exempted from the patent tax shall cease enjoying the benefit of exemption from the patent tax prescribed by the Law of the Republic of Armenia “On tax exemption for activities carried out in border communities” from the 1<sup>st</sup> day of the month following the month including the day when the violation has been recorded by the complex or thematic tax inspection, and the patent tax with respect to that type of activity shall be calculated as prescribed by the Code.

4. Within the meaning of part 3 of this Article, committing the violation prescribed by part 2 of this Article with respect to the same type of activity deemed a patent taxable object within one year from the date of the complex or thematic tax inspection act until the date of the next draft complex or thematic tax inspection act shall be deemed committing the violation again.

**Article 422. Failure to return, accept back excise stamps and/or label stamps within the time limit prescribed, or their loss**

1. In case of delaying the return of unused (including lost) or damaged excise stamps and/or label stamps by violating the time limits prescribed by parts 1 and 2 respectively of Article 396 of the Code or failing to be accepted back by the relevant tax or customs authorities in cases prescribed by part 6 of Article 396 of the Code, a penalty shall be calculated in the amount of:

(1) AMD 50 for each excise stamp and/or label stamp in the quantity of up to one percent (inclusive) of the number of excise stamps and/or label stamps received during the previous tax year in case of delaying the return of excise stamps and/or label stamps by violating the time limits prescribed or when excise stamps and/or label

stamps are not accepted back by relevant tax or customs authorities or in case they are lost;

(2) AMD 100 for each excise stamp and/or label stamp in the quantity from 1 to 10 percent (inclusive) of the number of excise stamps and/or label stamps received during the previous tax year in case of delaying the return of excise stamps and/or label stamps by violating the time limits prescribed or when excise stamps and/or label stamps are not accepted back by the relevant tax or customs authorities or in case they are lost;

(3) AMD 300 for each excise stamp and/or label stamp in the quantity from 10 to 50 percent (inclusive) of the number of excise stamps and/or label stamps received during the previous tax year in case of delaying the return of excise stamps and/or label stamps by violating the time limits prescribed or when excise stamps and/or label stamps are not accepted back by the relevant tax or customs authorities or in case they are lost;

(4) AMD 500 for each excise stamp and/or label stamp in a quantity over 50 percent of the number of excise stamps and/or label stamps received during the previous tax year in case of delaying the return of excise stamps and/or label stamps by violating the time limits prescribed or when excise stamps and/or label stamps are not accepted back by the relevant tax or customs authorities or in case they are lost.

**Article 423. Compensation for expenses on printing excise stamps and/or label stamps**

1. For damaged excise stamps and/or label stamps submitted for return within the period prescribed by part 2 of Article 396 of the Code and accepted back relevantly by the tax or customs authorities, expenses of the tax or customs authorities made for printing those excise stamps and/or label stamps shall be imposed on the taxpayer as a compensation.

2. In case of failure to alienate the goods mentioned in Article 390 of the Code having a period of expiry (preservation) within the expiry (preservation) period and writing off after the expiry of that period as prescribed by the Government of the Republic of Armenia, expenses of the tax or customs authorities made on the printing of those excise stamps and/or label stamps stamped on those goods shall be collected from the taxpayer as a compensation.

**Article 424. Violation of the rules for stamping with excise stamps and/or label stamps**

1. In case of alienation of goods subject to stamping in a way not excluding the possibility of use of excise stamps and/or label stamps more than once or without electronic registrations with regard thereto as prescribed, or not complying with registrations with respect to excise stamps and/or label stamps made electronically or under part 2 of point 7 of Article 393 of the Code, where — based on the prices indicated with the seller (and if not indicated — as prescribed by the Code) — the total value of those goods at the place intended for alienation:

(1) does not exceed AMD 50 000, the person bearing the obligation of stamping as prescribed by Article 391 of the Code shall pay a penalty in the amount of AMD 500 000;

(2) exceeds AMD 50 000, the person bearing the obligation of stamping as prescribed by Article 391 of the Code shall pay a penalty in the amount of 100 percent of the total value of the goods, but not less than AMD 1 million.

**Article 425. Violation of restrictions on issuing tax invoices**

1. In case of issuing a tax invoice in violation of the limitations on issuing tax invoices prescribed by part 1 of Article 67 of the Code, taxpayers shall be obliged to pay the

VAT amounts reflected separately in the tax invoice to the State Budget, unless the issued tax invoice has been revoked as prescribed.

2. In case of transactions involving supply of goods, performance of works or provision of services on a gratuitous basis or at a significantly lower price of compensation than the actual value, as prescribed by part 6 of Article 62 of the Code, organisations and natural persons shall be obliged to pay the positive difference between the VAT amount reflected separately in the tax invoice and the VAT amount corresponding to the VAT base calculated as prescribed by part 6 of Article 62 of the Code to the State Budget.

**Article 426. Issuing a tax invoice in violation of the prescribed procedure**

1. In case of issuing a tax invoice or an adjusting tax invoice in violation of the procedure prescribed by the Government of the Republic of Armenia, the person issuing the tax invoice or the adjusting tax invoice shall pay a penalty in the two-fold of the amount (including the VAT amount) of compensation in full value of the tax invoice or adjusting tax invoice, but not less than AMD 5 million.

**Article 427. Time limits of paying the penalty, amount for compensation for damages and the compensation**

1. Penalties prescribed by this Section of the Code and amounts paid as a compensation for damages prescribed by Article 407 of the Code shall be paid to the relevant budget within ten days following the date of the relevant inspection act or examination protocol or another administrative act, except for the penalty prescribed by part 8 of Article 416 of the Code, which shall be paid within the time limit prescribed by the same part.



2. The amount of compensation of expenses on printing excise stamps and/or label stamps prescribed by Article 423 of the Code shall be paid within ten days following the date of the relevant administrative act.

**Article 428. Imposing an amount of penalty, amount for compensation for damages and compensation**

1. In case the violations prescribed by Articles 407-410 of the Code are detected and recorded as a result of the operational and intelligence measures carried out as prescribed by the Law of the Republic of Armenia “On operational and intelligence activity”, tax liabilities shall be calculated and proposed for collecting within the framework of administrative proceedings initiated by the tax authority in compliance with the provisions of the Law of the Republic of Armenia “On fundamentals of administration and administrative proceedings” and the administrative act adopted as prescribed by the same law by the head of the tax authority or the official authorised thereby.

2. The penalty prescribed by Article 422 of the Code and the amount of compensation prescribed by Article 423 of the Code shall be calculated and proposed for collecting within the framework of administrative proceedings initiated by the tax authority in compliance with the provisions of the Law of the Republic of Armenia “On fundamentals of administration and administrative proceedings” and the administrative act adopted as prescribed by the same law by the head of the tax authority or the official authorised thereby.

## **SECTION 19**

### **SECURING THE DISCHARGE OF TAX LIABILITIES**

#### **CHAPTER 78**

#### ***GROUND, PROCEDURE FOR PUTTING A LIEN ON PROPERTY AND REMOVAL OF A LIEN ON PROPERTY***

##### **Article 429.      Lien on property**

1. The lien on property shall be an action carried out by the tax authority aimed at restriction of property rights of the taxpayer with the view to securing the discharge of a tax liability. The lien on property shall be put by way of restricting the right of the taxpayer to dispose of, possess or use the monetary funds available on the bank accounts and/or cash register as well as other property of the taxpayer in the amount of the tax liabilities.

##### **Article 430.      Grounds for putting a lien on property**

1. In case the amount of the non-discharged tax liability is AMD 500 000 or more, where the evidence, already obtained in the course of the administrative action carried out by the tax authority, provides sufficient grounds to assume that the taxpayer may conceal, damage or exhaust the property necessary for execution of the administrative act adopted by the tax authority, the head of the tax authority shall, as prescribed by law, have the right to publish a letter of instruction on putting a lien on the property of the taxpayer.

2. The lien on property by the tax authority may be applied with the sole purpose of securing the discharge of a tax liability under the supervision by the tax authority. Only property necessary for securing the discharge of a tax liability shall be subject to lien

in the amount of the tax liabilities. The tax authority shall put a lien on the property of the taxpayer, irrespective of who holds it. The lien may not be applied against the property which cannot be collected under the law or where the expiry date thereof is less than three months at the point the lien is put. A lien may not be put on bank, custodian or pension accounts and monetary funds of banks, payment and settlement organisations, investment funds (including pension funds) and insurance (re-insurance) companies.

**Article 431. Procedure for applying a lien on property**

1. The head of the tax authority shall publish a letter of instruction on imposition of a lien on property in two copies. The letter of instruction on imposition of a lien shall contain the name, surname, position of the official publishing the letter of instruction, year, month and day of issuing the letter of instruction, name of the body putting the lien, position, name, surname of the official(s) carrying out the lien on property, name, surname of the taxpayer, in case of an organisation, full name thereof, TIN, where available, and in case of VAT payers, also the VAT identification number, the amount of non-discharged tax liability and the legal grounds for putting a lien. While putting a lien, one copy of the letter of instruction shall be submitted to the taxpayer.
2. A lien on the property of the taxpayer shall be applied in the following order:
  - (1) monetary funds available on bank accounts;
  - (2) cash monetary funds available on cash register;
  - (3) other property subject to lien.
3. A lien on property under each subsequent category shall be applied only after applying a lien on property under the preceding category. Without applying a lien on property under the preceding category, a lien on property under the subsequent

category may be applied where it is obvious that the value of the property under the preceding category is insufficient for satisfying the claims. Moreover:

(1) a lien on property under each subsequent category shall be applied only to the extent, which is not secured after putting a lien on the property under the preceding category;

(2) in case when the tax liability is completely secured by the lien put on the property under the subsequent category, the tax authority must adopt a decision on removing the lien on property under the preceding category.

4. The official carrying out the lien on property of the taxpayer shall, within three days after the letter of instruction on putting a lien on the property is published, adopt a decision on putting a lien on the property of the taxpayer, which shall contain the year, month, day, place of adoption of the decision, position of the person having adopted the decision, his or her name, surname, issue under examination, in case of carrying out a lien on monetary funds available on bank accounts or cash registers of the taxpayer, also the amount subject to lien, grounds for the decision adopted, referring to laws or other legal acts by which the person adopting the decision has been guided in adopting it, and the conclusion on the issue under examination.

5. In case of absence, insufficiency of the property or having no information on the place of the taxpayer, the official carrying out a lien shall draw up a relevant record as prescribed by the tax authority.

6. When putting a lien on the property, the official carrying it out shall determine types, extent of restrictions for each case, taking account of the features of the property, its significance for the owner or the possessor and the amount of the tax liability. The book value of the property shall be deemed to be the value of the property.

7. The taxpayer shall be warned of being subjected to administrative or criminal liability in case of wasting, alienating, concealing or illegally transferring to another person the property under lien or separate components thereof.

8. The decision on putting a lien shall be mandatory for the officials of all state bodies, local self-government bodies, organisations and natural persons and shall be subject to execution throughout the entire territory of the Republic of Armenia. A copy of the decision on putting a lien shall, no later than the day following day of its adoption, be duly sent to the taxpayer, as well as to other persons and organisations.

9. The official carrying out a lien on the property may not prohibit the representative of the taxpayer to take part in the carrying out of the lien on the property. Within the meaning of this Article, a person whose powers are approved by the procedure prescribed by the Civil Code of the Republic of Armenia shall be deemed to be the representative of the taxpayer.

10. A lien on property may be carried out from 8.00-18.00 o'clock.

11. In case of a lien on property prescribed by this Article, after repaying no less than 20 per cent of the existing tax liability, the head of the tax authority shall, upon the consent of the taxpayer, have the right to replace the measure of property lien for securing the tax liabilities with other measures for securing the tax liabilities, the duration whereof may be prescribed for a period of up to 9 months. Moreover, where during the lien on the property, the taxpayer applies for replacing the measure of property lien for securing the tax liabilities with other measures for securing the tax liabilities and submits sufficient grounds on the fact that the application of the lien obviously endangers his or her activities, the head of the tax authority shall publish a letter of instruction on replacing the measure of property lien for securing, as prescribed by the Code, the tax liabilities with other measures for securing, as prescribed by the Code, the tax liabilities, the form whereof shall be prescribed by the

head of the tax authority. The letter of instruction shall be published in two copies, one copy whereof shall be submitted to the taxpayer within one working day.

12. In case of hindering the performance of activities of the official putting a lien on the property of the taxpayer within the scope of his or her powers, the official putting a lien shall, as prescribed by the Administrative Offences Code of the Republic of Armenia, record the fact of hindrance, apply to law enforcement authorities to receive support for eliminating the hindering circumstances and, with their assistance, continue the activities of putting a lien on the property.

#### **Article 432. Removing a lien on property**

1. A lien put on the property as prescribed by this Article shall be removed where:

- (1) the tax authority has failed to submit a relevant request to the Compulsory Enforcement Service of Judicial Acts of the Ministry of Justice of the Republic of Armenia or to a court within the time limits and through the procedure prescribed by the Law of the Republic of Armenia “On fundamentals of administrative action and administrative proceedings” after the individual legal act adopted on the taxpayer has become inappealable;
- (2) the tax liability of the taxpayer has terminated or the amount of tax liability has been levied as prescribed by the Code;
- (3) the head of the tax authority has published a letter of instruction on replacing the measure of property lien for securing, as prescribed by the Code, the tax liabilities with other measures for securing the tax liabilities;
- (4) the individual legal act on collecting the amount of tax liability secured by the lien has been declared invalid through judicial or extra-judicial procedure.

2. After the amount required for the purpose of satisfying the tax liability has been credited to the relevant treasury account or after the head of the tax authority has

published a relevant letter of instruction on replacing the measure of property lien for securing the tax liabilities with other measures for securing the tax liabilities, the official of the tax authority carrying out the lien shall be obliged to send immediately an order to relevant persons and organisations on removing the lien. In case of failure by the tax authority to submit the mentioned order in case of lien on monetary funds available on the bank accounts within the time limits prescribed, the taxpayer shall have the right to submit to the relevant bank the receipt of payment of the tax liability or a document certifying the collecting of the amount of the liability as prescribed by the Code or the relevant letter of instruction published by the head of the tax authority on replacing the measure of property lien for securing the tax liabilities with other measures for securing the tax liabilities, after which the given bank shall, within one working day, make an enquiry to the tax authority on removing the lien. Where the bank does not receive a refusal from the tax authority within one working day after sending the enquiry, the lien shall be removed.

3. The tax authority may not refuse the enquiry on removing the lien in case one of the following grounds exists:

- (1) amount of the tax liability has been credited to the relevant treasury account;
- (2) according to the data of the tax authority, repayment of the amount of the tax liability has been conducted as prescribed by the Code;
- (3) head of the tax authority has published a relevant letter of instruction on replacing the measure of property lien for securing the tax liabilities with other measures for securing the tax liabilities.

4. Persons and authorities having applied lien shall be obliged to immediately remove the lien they have applied, where the taxpayer submits a receipt certifying incomplete payment of the liability or a relevant letter of instruction published by the head of the tax authority on replacing the measure of property lien for securing the tax liabilities with other measures for securing the tax liabilities.

5. The decision on putting a lien on the property may be appealed against within the time limits prescribed for appealing against the individual legal act on collecting the amount of the tax liability from the taxpayer. The decision on putting a lien on the property shall become inappealable at the same time when the individual legal act on collecting the amount of the tax liability from the taxpayer becomes inappealable. Appealing against the decision on putting a lien on the property through extra-judicial procedure shall not suspend the execution of the decision.
6. Wasting, alienating, concealing, illegally transferring to another person, damaging or destroying the property under lien shall be prohibited.

**Article 433.        Putting a lien on the monetary funds available on bank accounts**

1. The process of putting a lien on the monetary funds available on the bank accounts prescribed by this Article shall be conducted through an electronic system, the procedure and circumstances of operation whereof shall be prescribed by a joint legal act of the Central Bank of the Republic of Armenia and the public administration body authorised by the Government of the Republic of Armenia. The decision on putting a lien on the monetary funds available on the bank accounts of the taxpayer shall be forwarded to banks and state authorities through the electronic system.
2. Commercial banks shall immediately put a lien on the monetary funds available on the bank accounts of the taxpayer at the point of receiving the decision (including those available on bank accounts opened after receiving the decision) in the amount of the liability prescribed by the decision. By the decision on putting a lien on the monetary funds available on the bank accounts, lien shall be firstly put on the Armenian dram current accounts, and in case the monetary funds available thereon are insufficient, the lien shall, in sequence, be put on the foreign currency current accounts, Armenian dram deposit accounts, foreign currency deposit accounts.



3. In case no monetary funds are available on the bank accounts of the taxpayer or the available means are insufficient, the banks shall be obliged to put a lien on the funds further credited to bank accounts of the taxpayer until the amount is secured in the amount of the mentioned tax liability by the decision on putting a lien on the monetary funds available on the bank accounts or until the decision on putting a lien is repealed or the cases of removing the lien provided for by the Code occur.

4. In case, when a lien is put on the monetary funds available on more than one bank account of the taxpayer as a result of putting a lien on the monetary funds available on the bank accounts and the amount under lien exceeds the amount of the tax liability or the amount of the tax liability is secured by monetary funds available on one of the bank accounts, the commercial bank shall, at the instruction of the taxpayer, be obliged to provide information on the amount under lien in the amount of the liability available on the bank accounts belonging to the taxpayer, which are maintained in the given bank. After receiving the mentioned instruction, the bank shall, within one working day, be obliged to provide information to other commercial banks serving the bank accounts of the taxpayer and to the tax authority on the amount under lien in the amount of the tax liability available on the bank accounts belonging to the given taxpayer maintained thereby. The mentioned information shall be submitted in the form prescribed by the Central Bank of the Republic of Armenia.

5. Where any commercial bank clarifies, based on the information received from other commercial bank(s), that monetary funds of the taxpayer available on the bank accounts at other commercial bank(s) are under lien in the amount prescribed by the same decision on putting a lien, the given commercial bank shall, maximum within one working day after receiving the information, be obliged to remove the lien on monetary funds available on the given bank accounts of the taxpayer maintained thereby. The above shall not refer to commercial banks, which have forwarded to other commercial bank(s) a communication, prescribed by this Article, on bank accounts under lien upon the decision on putting a lien.

6. In case when, based on the information received from other commercial bank(s), it becomes clear that monetary funds of the taxpayer under lien available on the bank accounts at other commercial bank(s) are less than the amount prescribed by the decision on putting a lien, the given commercial bank shall, as prescribed by this Article, be obliged to remove the lien on the monetary funds only in the given bank and other commercial bank(s), exceeding the amount of the tax liability as a result of putting a lien, based on the information received from other commercial bank(s).

7. The decision on putting a lien on the monetary funds available on the bank accounts of the taxpayer, which lacks the exact amount to be attached, shall not be subject to execution.

8. The decision on putting a lien on the monetary funds available on the bank accounts of the taxpayer shall not extend to the transfer of monetary funds subject to payment to the State Budget, and the taxpayer shall have the right to make transfers to the State Budget from such means, if such monetary funds are not a subject of a pledge.

9. Information available at the tax authority and the bank on the transfers made to the State Budget from the monetary funds available on the bank accounts under lien shall be exchanged through the procedure jointly prescribed by the tax authority and the Central Bank of the Republic of Armenia.

**Article 434. Putting a lien on the cash monetary funds available on cash register of the taxpayer**

1. In case no bank accounts of the taxpayer are available or the monetary funds available thereon are insufficient for satisfying the tax liabilities, the tax authority shall put a lien on the cash monetary funds available on cash register of the taxpayer in the amount not exceeding the tax liabilities.

2. The official of the tax authority having adopted the decision on putting a lien on the cash monetary funds available on cash register of the taxpayer shall, on the day of submitting the given decision to the taxpayer, take an inventory of the cash monetary funds available on cash register of the taxpayer and deposit with the taxpayer such means as well as the cash monetary funds credited to the cash register during the application of the lien within the limits of the tax liabilities. The official of the tax authority, having rendered a decision while cash monetary funds available on the cash register of the taxpayer was under lien, shall have the right, at any point, to take an inventory of the availability of monetary funds available on cash register, as well as of the flow of credited and debited monetary funds, based on the findings whereof a record shall be drawn up. The form of the inventory record of cash monetary funds in the cash register or the flow of the monetary funds shall be prescribed by the tax authority, wherein the date, period of inventory, the currency, value, quantity of the monetary funds under lien, the value of the monetary funds credited and the source they were derived from, the value and the expenditure targets of monetary funds debited, the currency, value, quantity of monetary funds being deposited, the period of terminating the performance of cash register operations during the inventory, a note that monetary funds being credited to the cash register are under lien and deposited during the application of the lien within the limits of tax liabilities, the data on and signatures of persons taking part in the inventory shall be specified. The mentioned records shall be an integral part of the decision on putting a lien on cash monetary funds available on the cash register of the taxpayer.

3. The decision on putting a lien on cash monetary funds available on the cash register of the taxpayer shall not extend to payments being made to deposit or current accounts of the taxpayer or to the State Budget from the cash monetary funds, and the taxpayer shall have the right to make payments to his or her deposit or current accounts or the State Budget from the cash monetary funds available on the cash register.

4. Provisions prescribed by Article 433 of the Code on applying lien on the monetary funds available on the bank accounts shall be applied on the monetary funds credited to the bank account of the taxpayer.

#### **Article 435. Putting a lien on other property**

1. While putting a lien on other property of the taxpayer, a record shall be drawn up, the form of which shall be prescribed by the tax authority. Name, quantity, individual characteristics, book values of the property subject to lien shall be described and specified by names in the record. The mentioned record shall be an integral part of the decision on putting a lien on the property of the taxpayer.

After drawing up the record, the tax authority shall, by virtue of law, acquire a secured right over the tax liability, the subject whereof shall be the movable property specified in the record. For the purpose of acquiring a preferential right to receive compensation from the value of the subject of the secured right, the secured right of the tax authority shall be subject to registration as prescribed by law.

The restriction of rights of the taxpayer over the immovable property specified in the record shall be subject to state registration as prescribed by law.

2. The official carrying out the lien shall deposit the property under lien to the taxpayer, whereon a relevant note shall be made in the record on putting a lien on the property, and in case the taxpayer tries to waste, conceal, illegally transfer to another person, damage or destroy the property under lien or separate components thereof, the depositing of the property shall be assigned to a professional organisation engaged in such activity based on a deposit contract. The expenses related to deposit shall be borne by the taxpayer.

3. The procedure for and conditions of operation of the electronic system of putting a lien on other property shall be prescribed by a joint legal act of the tax authority and

the public administration body authorised by the Government of the Republic of Armenia.

## **CHAPTER 79**

### ***OTHER MEASURES SECURING THE DISCHARGE OF TAX LIABILITIES***

#### **Article 436. Other measures securing the discharge of tax liabilities**

1. In case it is impossible to apply a lien on the property or the value of the property under lien for the purpose of satisfying the tax liabilities is insufficient or it is necessary to replace the measure of securing the lien on the property applied, the discharge of the tax liabilities may be secured by the following measures:

- (1) conclusion of a contract of pledge;
- (2) guarantee;
- (3) surrender of the right of claim by the taxpayer.

2. Application of any measure securing the discharge of tax liabilities shall not restrict the application of another measure securing the discharge of tax liabilities.

3. The head of the tax authority may transfer the power to apply measures securing the discharge of tax liabilities prescribed by part 1 of this Article to another official of the tax authority.

#### **Article 437. Conclusion of a contract of pledge**

1. A contract of pledge may be concluded between the tax authority and the taxpayer as a measure securing the discharge of tax liabilities.

2. Relations pertaining to the conclusion of a contract of pledge, discharge of tax liabilities secured by a pledge, execution of collection of the property under lien, termination of the contract of pledge shall be regulated by the civil legislation and the Civil Code of the Republic of Armenia.

3. In case of concluding a contract of pledge, for the purpose of satisfying tax liabilities, a schedule for gradual satisfaction of liabilities shall be drawn up, the duration whereof may be prescribed for up to a nine-month period. Both the debtor and a third person may be a pledgor. In case a third person is a pledgor, the written consent of the debtor taxpayer on discharging tax liabilities shall also be attached to the contract of pledge pursuant to the schedule for gradual satisfaction of tax liabilities drawn up under the contract of pledge.

4. In case of failure by the taxpayer to discharge his or her tax liabilities, the tax authority shall have the right to satisfy the given liabilities at the expense of the pledged property as prescribed by the civil legislation of the Republic of Armenia.

5. The property over which the right of pledge may be applied as prescribed by the civil legislation of the Republic of Armenia, may be a subject of pledge. The property which is a subject of pledge under a contract of pledge may not be a subject of pledge under another contract being concluded between the tax authority and the pledgor.

6. Where the subject of pledge is realised or transferred to a third person for disposal, possession or use, without discharge of tax liabilities, the right of pledge shall continue to extend to the property pledged.

7. Performance of any transaction against the property pledged may, notwithstanding the purposes of the performance thereof, be conducted only upon the consent of the tax authority.

8. In case of pledging the property, the subject of pledge may remain with the pledgor or, at the expense of means of the pledgor, be transferred to the tax authority, which shall be obliged to ensure the maintenance of the property pledged.

9. The contract of pledge of property may be concluded where the market value of the subject of pledge exceeds the amount necessary for securing the tax liability for more than 20 per cent.

10. The tax authority shall consider the offer of the owner of the subject of pledge on concluding a contract of pledge of property within maximum five working days.

11. The tax authority shall reject the conclusion of a contract of pledge, where:

(1) the submitted contract of pledge of property does not comply with the criteria prescribed by the legislation of the Republic of Armenia and the Code;

(2) the market value of the subject of pledge is less than 120 per cent of the amount of the tax liability subject to payment;

(3) the duration of the contract of pledge or the expiry of the subject of pledge is shorter than the deadline of discharging the tax liability prescribed by the schedule of the contract of pledge;

(4) the tax authority possesses information on the attempts to intentionally avoid the discharge of liabilities assumed by the taxpayer or the pledgor having tax liabilities.

12. In case of rejecting the conclusion of a contract of pledge of property, the tax authority shall, within the time limits prescribed by part 10 of this Article, inform the applicant thereof, specifying the grounds for rejection.

13. In case of failure to discharge tax liabilities secured by the pledge of property, amounts subject to payment shall be transferred to the state treasury account from the means gained from the realisation of the property pledged as prescribed by law.

14. Expenses related to the conclusion of a contract of pledge of property and execution of collection of the property under lien shall be borne by the taxpayer.

## **Article 438. Guarantee**

1. For the purpose of securing the discharge of tax liabilities, the tax authority shall accept guarantees issued by banks, credit organisations or insurance companies (hereinafter referred to as “the entity having issued a guarantee”).
2. The entity having issued a guarantee shall, by that guarantee, be bound before the tax authority to discharge the tax liabilities of the taxpayer, where the latter has failed to discharge his or her tax liabilities through the procedure prescribed by the Code and within the time limits prescribed by the guarantee in case the tax authority has submitted to the entity having issued a guarantee such a written claim. Relations pertaining to the guarantee shall be regulated by the civil legislation and the Civil Code of the Republic of Armenia.
3. The time limits for discharging tax liabilities may be prescribed by the guarantee for up to a nine-month period, which cannot exceed the 1<sup>st</sup> day of the 6<sup>th</sup> month preceding the period of license validity of the entity having issued a guarantee.
4. The guarantee may not be revoked by the entity having issued the guarantee.
5. The guarantee shall be submitted to the tax authority in two copies; moreover, the following shall be specified:
  - (1) tax liabilities of the taxpayer and the time limits of their satisfaction, the due discharge whereof shall be secured by the guarantee;
  - (2) in case of non-discharge of the tax liabilities secured by the guarantee, the indisputable right of the tax authority to claim the discharge of the tax liabilities of the entity having issued a guarantee;
  - (3) the fact of availability of monetary funds with the entity having issued a guarantee for the discharge of the tax liabilities secured by the guarantee;
  - (4) the validity of the guarantee;



(5) the number and the validity of the license of the entity having issued a guarantee.

6. The form of and procedure for filling in the guarantee shall be prescribed by the tax authority.

7. For the purpose of accepting or rejecting the guarantee, the tax authority shall examine it during three working days after receiving it.

8. The acceptance of the guarantee shall be rejected, where:

(1) the guarantee does not comply with the criteria prescribed by law and parts 3-5 of this Article;

(2) the period of validity of the guarantee is less than the time limits for discharging the tax liabilities by the taxpayer prescribed by the guarantee;

(3) the license of the entity having issued a guarantee to engage in activities prescribed by law is suspended or repealed;

(4) the entity having issued a guarantee has non-satisfied tax liabilities.

9. The tax authority shall make a relevant note on the acceptance or rejection of the guarantee on the relevant box of the guarantee issued and forward one copy thereof to the entity having issued a guarantee within the time limits prescribed by part 7 of this Article. In case of rejecting the acceptance of the guarantee the tax authority shall also specify the reasons serving as grounds for rejection.

10. In case the taxpayer fails to discharge or partially discharges the tax liabilities secured by the guarantee within the time limits prescribed by the guarantee, the tax authority shall, within three working days after the expiry of the deadline for discharge of tax liabilities prescribed by the guarantee, submit a written claim to the entity having issued the guarantee for the discharge of the tax liabilities secured by the guarantee.

11. Tax liabilities secured by the entity having issued a guarantee, not discharged by the debtor taxpayer shall be subject to discharge within three working days after receiving such a claim from the tax authority.

12. In case the entity having issued a guarantee fails to discharge or partially discharges his or her liabilities within the time limits specified in part 11 of this Article, the given claim of tax authority shall be deemed to be an inappealable administrative act, after which the tax authority may apply the procedures for compulsory enforcement of tax liabilities prescribed by the Code against the entity having issued a guarantee.

**Article 439. Surrender of the right of claim by the taxpayer**

1. For the purpose of collecting the tax liabilities of the taxpayer, the tax authority shall, based on the contract on surrender of the right of claim of the taxpayer against the debtor (debtor) of the taxpayer, have the right to acquire the right of claim of the taxpayer and direct the received amounts to the satisfaction of the tax liabilities of the taxpayer. Moreover, the right of claim of the taxpayer shall pass to the tax authority in its entirety, including the right to interests calculated against the debt.

2. Conclusion of a contract with the taxpayer on surrender of the right of claim shall not exempt the taxpayer from the discharge of tax liabilities and from the calculation and payment of fines, as prescribed by the Code, for their delay.

3. The tax authority shall, within five working days after receiving the offer for concluding a contract with the taxpayer on surrender of the right of claim, examine the lawfulness and substantiation of the claim of the taxpayer, as well as the solvency of the debtor, by informing the debtor thereof in writing. Consent of the debtor shall not be required for transferring the rights of the creditor taxpayer to the tax authority.

4. In case of accepting the offer of the taxpayer to conclude a contract on surrender of the right of claim, the tax authority shall, within the time limits specified in part 3 of this Article, conclude with the taxpayer a contract on surrender of the right of claim as prescribed by the civil legislation of the Republic of Armenia, wherein, in particular, the rights and obligations of the taxpayer and the tax authority, the identification data of the debtor of the taxpayer, the amount, procedure for calculation and the circumstances

confirming the substantiation of the claim, as well as the amounts of the existing tax liabilities of the taxpayer and the procedure for the calculation thereof, according to the types of taxes and liabilities, shall be specified. In case of rejecting the proposal of the taxpayer to conclude a contract, the tax authority shall, within the time limits specified in part 3 of this Article, inform the taxpayer in writing of the reasons for rejection.

5. The tax authority shall, within three working days after concluding a contract with the taxpayer on surrender of the right of claim, inform the debtor of the taxpayer and claim, within ten working days, to pay the tax liabilities of the taxpayer within the limits of his or her liabilities against the creditor as prescribed by the Code. In case of a failure by the debtor of the taxpayer to discharge his or her liability to the taxpayer or to discharge the tax liability of the taxpayer within the time limits specified in this part, the claim of the tax authority shall be deemed to be an inappealable administrative act, after which the tax authority may apply against the debtor other measures of property lien, as well as other measures of compulsory enforcement of tax liabilities envisaged for inappealable administrative acts, prescribed by the Code.

## **SECTION 20**

### **APPEALING AGAINST ACTIONS OR OMISSIONS OF TAX OFFICER**

## **CHAPTER 80**

### ***SYSTEM OF APPEALING***

#### **Article 440. Right of appeal of the taxpayer**

1. The individual legal act adopted by the tax authority, as well as the actions or omissions of a tax officer may be appealed against to the Appeal Commission of the tax authority or the court as prescribed by the Code.

2. The taxpayer may apply to court at any stage of the appeal submitted to the Appeal Commission of the tax authority for the purpose of appealing against the individual legal act adopted by the tax authority, the actions or omissions of a tax officer.
3. The decision of an inquest body or an investigator on assigning a tax inspection in accordance with the Criminal Procedure Code of the Republic of Armenia shall be appealed against through the procedure prescribed by the Criminal Procedure Code of the Republic of Armenia, whereas actions performed during the mentioned inspection by the person carrying out the inspection and the act drawn up as a result of the inspection — through the procedure prescribed by the Code.
4. Actions of officials of the tax authority relating to imposition of administrative liability shall be appealed against in compliance with the legislation of the Republic of Armenia on administrative offences.

**Article 441.           Appeal Commission of the tax authority and procedure for lodging an appeal**

1. For the purpose of settlement of disputes over the individual legal act adopted by the tax authority, the actions or omissions of a tax officer, an Appeal Commission of the tax authority shall be functioning with the tax authority. The Appeal Commission of the tax authority shall be a body being formed by the head of the tax authority, permanently functioning in the tax authority, which shall be comprised of a chairperson and eight members, who shall manage their work in the Commission along with the positions they hold in the tax service.
2. The Appeal Commission of the tax authority shall accept the submitted appeal for proceedings based on the complaint submitted by the taxpayer in written form and in Armenian, which shall contain the following:
  - (1) title of the Appeal Commission of the tax authority with which the appeal has been lodged;

(2) name, surname, TIN (in case the latter is not available, public service number shall be specified), address of the person having lodged the appeal, and in case of an organisation, the title, location, TIN of the organisation, and in case of VAT payer, also the VAT identification number, the name, surname and position, as well as the data on telecommunication facilities of the person having lodged the appeal in his or her own name;

(3) subject matter of the appeal;

(4) claim of the person having lodged the appeal;

(5) list of documents attached to the appeal;

(6) year, month and day of drawing up the appeal;

(7) signature of the person having lodged the appeal, and in case of an organisation, the signature of the person having lodged the appeal in own name.

3. In case of an incompletely submitted complaint specified in part 2 of this Article, the tax authority shall inform the taxpayer having submitted the complaint on the existing shortcomings and shall recommend the taxpayer to remedy them within three working days. In case of remedying the shortcomings and informing the Appeal Commission of the tax authority thereof, the complaint shall be deemed to be accepted from the day it was submitted for the first time. The Appeal Commission of the tax authority shall also accept for examination the complaint submitted with shortcomings, where the given shortcomings do not hinder further examination of the appeal.

4. The individual legal act adopted by the tax authority and having entered into force may be appealed against within two months from the day it entered into force, whereas the actions or omissions of the tax officer may be appealed against within one month from the day they were carried out or occurred.

5. The rules of procedure, composition (taking account of maximum adherence of the principle of conflict of interest) of the Appeal Commission of the tax authority, the

form of the complaint being submitted to the Appeal Commission and the form of notification on the venue and time of the session of the Commission being forwarded to the person having lodged the complaint, as well as the forms of decisions being adopted by the Commission shall be prescribed by the tax authority.

**Article 442. Examination of the complaint submitted to the Appeal Commission of the tax authority**

1. The tax authority shall accept complaints submitted to the Appeal Commission of the tax authority for examination and adopt decisions thereon within 30 days. Calculation of the period prescribed by this part shall commence on the first working day following the day the written complaint arrives at the relevant authority. In specific cases, the mentioned period may be extended for 15 days by the decision of the head of the tax authority, and the applicant shall be informed of it. In case no response is given with regard to the complaint within the mentioned time limits, the decision of the Appeal Commission of the tax authority on granting the complaint shall be deemed to be adopted.

2. The Appeal Commission of the tax authority shall adopt a relevant written decision on dismissing the proceedings of examination of the complaint of the taxpayer, where:

- (1) the complaint being submitted to the Appeal Commission of the tax authority does not comply with the criteria prescribed by the Code, except for cases, where the given circumstance does not hinder further examination of the complaint;
- (2) the claim of the person lodging the appeal is not clearly specified in the complaint being submitted to the Appeal Commission of the tax authority;
- (3) the list of documents being appealed against is not attached to the complaint being submitted to the Appeal Commission of the tax authority;
- (4) the complaint is lodged by a person not competent to lodge a complaint;

- (5) the complaint does not comply with the procedural requirements, and the taxpayer submitting the appeal has not remedied the shortcomings existing in the complaint within the time limits prescribed by part 3 of Article 441 of the Code;
- (6) the taxpayer lodging the complaint abandons the appeal;
- (7) the claim specified in the complaint is beyond the competences of the Appeal Commission of the tax authority;
- (8) the case of an individual legal act, action or omission by the tax authority being appealed against is absent;
- (9) the complaint was submitted after the expiry of the time limits prescribed by part 4 of Article 441 of the Code;
- (10) a decision of the Appeal Commission of the tax authority on the same person having lodged the complaint, the same subject of appeal, the appeal upon the same grounds exists, except for decisions on dismissing the proceeding of the examination of the complaint in cases provided for in points 1-5 of this part, after the elimination of grounds of dismissing whereof the complaints submitted within the time limits prescribed by part 4 of Article 441 of the Code shall be subject to examination;
- (11) the taxpayer submitting the complaint has applied to court with the same claim;
- (12) in case of liquidation of the organisation or death of the natural person having lodged the complaint.

3. The Appeal Commission of the tax authority shall adopt the decision on dismissing the proceedings of the examination of the complaint of the taxpayer in two copies, one copy of which shall, within three working days after the adoption of the decision, be provided to the person having lodged the complaint, and the second copy shall be kept with the tax authority.

4. In case the Commission accepts the complaint submitted to the Appeal Commission of the tax authority for proceedings, the person having lodged the

complaint shall be notified in advance of the venue and time of the relevant session. The person having lodged the complaint, the chief accountant of the latter and/or the authorised person (expert) of the person having lodged the complaint may participate in the session of the Appeal Commission. The absence of the person having lodged the complaint or his or her representative having been notified of the venue and time of the session of the Appeal Commission shall be no hindrance for the continuation of the session of the Commission and the settlement of the dispute on the merits.

5. The sessions of the Appeal Commission of the tax authority shall be recorded, and all the members present at the session of the Commission shall sign the records made. The records signed by the Commission members shall be kept with the tax authority, as prescribed by the tax authority, during three years following the year of making it.

#### **Article 443.        Decision of the Appeal Commission of the tax authority**

1. With respect to submitted complaints the Appeal Commission of the tax authority shall render a reasoned decision on:

- (1) dismissing the proceedings of the examination of the complaint;
- (2) granting the complaint;
- (3) granting the complaint partially;
- (4) rejecting the complaint;
- (5) conducting a re-inspection.

2. The decisions of the Appeal Commission of the tax authority shall be authorised, where at least seven of the members of the Commission have participated in the rendering of those decisions. Decisions are rendered through an open ballot with simple majority rule.



3. The decision rendered by the Appeal Commission of the tax authority shall enter into force from the day following the day it was adopted. The adopted decision shall be drawn up in two copies, one copy of which shall, within three working days after rendering the decision, be provided to the person having lodged the complaint, and the second copy shall be forwarded to the tax authority functioning at the place of record-registration of the person having lodged the complaint for the purpose of keeping it in the tax records of the taxpayer through the common procedure prescribed.

4. The decisions of the Appeal Commission of the tax authority may be appealed against to the Joint Appeal Commission of Inspection Bodies as prescribed by the Law of the Republic of Armenia “On Inspection Bodies” or to the court.

## **PART 4**

### **FINAL AND TRANSITIONAL PROVISIONS**

#### **SECTION 21**

#### **FINAL PROVISIONS**

#### **CHAPTER 81**

#### ***GENERAL PROVISIONS***

#### **Article 444.       Entry into force of the Code**

1. The Code shall enter into force starting from 1 January 2018, except for the provisions prescribed by parts 2-13 of this Article, which shall enter into force within the time limits prescribed by the same parts.

2. Point 37 of part 2 of Article 64 of the Code shall enter into force starting from 1 January 2017 and extend to the imports made from that point.

3. Sub-point (f) of point 47 of part 2 of Article 64 of the Code on derivative financial instruments, point 15 of part 4 of Article 109 and point 7 of part 1 of Article 123 of the Code shall enter into force starting from 1 January 2017 and extend to the derivative financial instruments concluded from that point.

4. Point 2 of part 1 of Article 104, point 2 of part 1 of Article 105 and part 2 of Article 125 of the Code related to the securitisation fund established on the basis of the Law of the Republic of Armenia “On asset securitisation and asset backed securities” shall enter into force from 1 January 2017.

5. Point 5 of part 3 of Article 109 and point 7 of part 2 of Article 132 of the Code related to the dividends received by non-resident organisations shall enter into force starting from 1 January 2017 and extend to the dividends attributed to the periods after 1 January 2017.

6. The provisions on the alternative method of making an advance profit tax payment prescribed by part 4 of Article 135 of the Code shall enter into force starting from 1 January 2017.

7. The provision on income taxation of dividends received by foreign citizens and stateless persons shall enter into force starting from 1 January 2017 and shall extend to the dividends declared after 1 January 2017, irrespective of the provisions of the Law of the Republic of Armenia “On income tax”, while the provision related to the income taxation of the dividends received by the citizens of the Republic of Armenia shall extend to the dividends declared after 1 January 2018.

8. Part 4 of Article 159 of the Code shall enter into force starting from 1 January 2017.

9. 1 January 2017 shall be the date on which the provision on submission of information, according to the owners of immovable property, on immovable property,

considered to be an immovable property taxable object prescribed by Article 227 of the Code (according to land parcels and/or respective developments thereof), and on the respective cadastre values and computational net incomes thereof by the body, maintaining immovable property cadastre for the purpose of calculation of immovable property tax, to the bodies record-registering taxpayers, shall enter into force.

10. Chapter 65 of the Code shall enter into force starting from 1 January 2019.

11. Part 10 of Article 348 of the Code shall enter into force starting from 1 January 2017. The compensation amount of VAT with respect to transactions taxable at zero rate of VAT during 2017 shall be refunded to the taxpayer through the simplified procedure and within the time limits prescribed by the Government of the Republic of Armenia.

12. The provision on providing excise stamps and/or labels on the basis of an electronically submitted application prescribed by part 4 of Article 393 of the Code shall enter into force starting from 1 July 2017.

13. Part 1 of Article 396 of the Code shall enter into force starting from 1 January 2017, and the time limits prescribed thereby shall extend to the excise stamps and/or labels received after that date.

14. It shall be defined that starting from 1 January 2017, the state duty rate for the types of activities prescribed by sub-points 14.1 and 14.4 of part Article 19 of the Law of the Republic of Armenia HO-186 of 27 December 1997 “On state duty” shall comprise 500 000-fold of the base duty.

**Article 445. Repeal of certain laws of the Republic of Armenia in connection with the entry into force of the Code**

1. Starting from the day of the entry into force of the Code, the following shall be repealed:

(1) Law of the Republic of Armenia HO-107 of 14 April 1997 “On taxes”, except for Article 8 of the Law of the Republic of Armenia “On taxes”, which shall be repealed starting from 1 January 2017;

(2) Law of the Republic of Armenia HO-118 of 14 May 1997 “On value added tax”, except for the last paragraph of Article 6 and part 4 of Article 26 of that Law 4, which shall be effective until 31 December 2019, inclusive;

(3) Law of the Republic of Armenia HO-79 of 7 July 2000 “On excise tax”, except for the following:

a. excise tax rates in the table of part 1 of Article 5 of the Law of the Republic of Armenia “On excise tax” related to the CN FEA codes 2208, 2208 30, 2208 40, 2402 20 90011, 2402 20 10011, 2402 90 00013, 2402 20 90012, 2402 20 10012 and 2402 90 00014, which shall be repealed starting from 1 January 2017. The excise tax rate for goods classified under CN FEA code 2208 (except for CN FEA codes 2208 90 330 0, 2208 90 380 0, 2208 90 480 0, 2208 20, 2208 30, 2208 40) shall, starting from 1 January 2017, be defined at 63 percent, but not less than AMD 630 per 1 litre; the excise tax rate for goods classified under CN FEA codes 2208 30, 2208 40 shall, starting from 1 January 2017, be defined at 57 percent but not less than AMD 3 450 per 1 litre; the excise tax rate for goods classified under CN FEA codes 2208 90 330 0, 2208 90 380 0, 2208 90 480 0 shall, starting from 1 January 2017, be defined at 55 percent but not less than AMD 550 per 1 litre; the excise tax rate for goods classified under CN FEA codes 2402 20 90011, 2402 20 10011, 2402 90 00013, 2402 20 90012, 2402 20 10012 and 2402 90 00014 shall, starting from 1 January 2017, be defined at 15 percent but not less than AMD 6 325 per 1 000 item, while the excise tax rate for goods classified under CN FEA code 2208 20 shall, starting from 1 January 2017, be defined in the amount prescribed by the Law of the Republic of Armenia “On excise tax” which was effective before the entry into force of the Code;

b. part 6 of Article 8 of the Law of the Republic of Armenia “On excise tax”, which shall be effective until 31 December 2019, inclusive;

(4) Law of the Republic of Armenia HO-155 of 30 September 1997 “On profit tax”, except for the provisions of the second-to-last paragraphs of Articles 8 and 11 of that Law related to the residents certified as prescribed by the Law of the Republic of Armenia “On state support to the information technologies sector”, which shall be effective until 31 December 2019, inclusive;

(5) Law of the Republic of Armenia HO-246-N of 22 December 2010 “On income tax”, except for the provisions of part 1.1 of Article 10 of that Law related to the tax agents certified as prescribed by the Law of the Republic of Armenia “On state support to the information technologies sector”, which shall be effective until 31 December 2019, inclusive;

(6) Law of the Republic of Armenia HO-270 of 28 December 1998 “On environmental and natural resources utilization fees”;

(7) Law of the Republic of Armenia HO-245-N of 20 December 2006 “On rates of environmental fees”, except for point (b) of Article 3 of that Law, which shall be effective until 31 December 2020, inclusive;

(8) Law of the Republic of Armenia HO-203 of 3 March 1998 “On road fees”;

(9) Law of the Republic of Armenia HO-491-N of 26 December 2002 “On property tax”;

(10) Law of the Republic of Armenia HO-101-N of 14 February 1994 “On land tax”;

(11) Law of the Republic of Armenia HO-236-N of 19 December 2012 “On turnover tax”;

(12) Law of the Republic of Armenia HO-209-N of 22 December 2010 “On license fees”;

(13) Law of the Republic of Armenia HO-236 of 7 July 1998 “On fixed fees”;

(14) Law of the Republic of Armenia HO-215-N of 11 October 2007 “On tax record-registration of organisations and natural persons and removing them from tax record-registration”;

(15) Law of the Republic of Armenia HO-129-N of 22 November 2004 “On application of cash register machines”;

(16) Law of the Republic of Armenia HO-220-N of 28 November 2006 “On suspending the activity of cash register machine users”;

(17) Law of the Republic of Armenia HO-501-N of 26 December 2002 “On cash machine transactions”.

## **SECTION 22**

### **TRANSITIONAL PROVISIONS**

## **CHAPTER 82**

### ***GENERAL PROVISIONS***

#### **Article 446. Continuation of the effect of certain laws of the Republic of Armenia regulating tax relations in connection with the entry into force of the Code**

1. After the entry into force of the Code, the laws not referred to in part 1 of Article 445 of the Code, which regulate tax relations (including those which prescribe tax benefits and/or taxation mechanisms), shall continue to be in effect as long as they are not repealed or the operation period of those laws has not expired.

**Article 447. General regulation of transitional tax relations**

1. The tax liabilities pertaining to the reporting periods, which ended before the entry into force of the Code, shall not be considered to be terminated after 1 January 2018 and shall be subject to discharge through the general procedure and within the time limits prescribed by the legislation effective before the entry into force of the Code.
2. The liabilities of environmental fee, natural resources utilization fee, road fee and fixed fee pertaining to the reporting periods, which ended before the entry into force of the Code, shall not be considered to be terminated after 1 January 2018 and shall be subject to discharge through the procedure and within the time limits prescribed by the legislation regulating the relations of environmental fee, natural resources utilization fee, road fee and fixed fee before the entry into force of the Code.
3. After the entry into force of the Code, the tax calculation reports pertaining to the reporting periods ending on 31 December 2017 shall be submitted by the deadlines prescribed by the legislation effective before the entry into force of the Code.
4. The tax calculation reports pertaining to the reporting periods ending on 31 December 2017 may also be submitted in hard copy in case of being prescribed by the legislation effective before the entry into force of the Code.
5. The sanctions prescribed before the entry into force of the Code shall be applied to the violations of tax legislation committed before the entry into force of the Code and revealed thereafter, except for the fines prescribed by Article 401 of the Code, which shall be applied as prescribed by parts 6 and 7 of this Article.
6. The taxpayer or the tax agent shall pay a fine in the amount of 0.075 percent for each overdue day following the day of entry into force of the Code, including also in the case when the calculation of fines started before the entry into force of the Code.

7. The calculation of fines, which started before the entry into force of the Code and did not end on the day of the entry into force of the Code, shall continue until the 365<sup>th</sup> day of the calculation.

8. After the entry into force of the Code, so long as the scope of applying tax benefits in cases prescribed by the Code is not prescribed by relevant legal acts, the scope of applying tax benefits shall be decided pursuant to relevant legal acts effective before the entry into force of the Code.

**Article 448. Regulation of transitional tax relations pertaining to the General Part of the Code**

1. The provisions on transferring the non-discharged tax liabilities of the natural person, who died or was declared dead by a judgment of the court, to his heir (heirs) shall extend to the liabilities, arising after 1 January 2018, of the natural persons, who died or were declared dead by a judgment of the court after 1 January 2018.

**Article 449. Regulation of transitional tax relations pertaining to Section 4 of the Code**

1. The provision prescribed by part 2 of Article 74 of the Code on crediting the compensation amount of VAT of the VAT payer to the unified treasury tax account of the VAT payer on the basis of the written application of the VAT payer as of the 21<sup>th</sup> day of the month following each reporting half shall pertain to the compensation amounts arising as a result of unified calculation reports of VAT and excise tax submitted to the tax authority for the reporting periods following the entry into force of the Code.



2. The deadline prescribed by part 3 of Article 79 of the Code for the payment of VAT amounts shall be applied with regard to the imports made after the entry into force of the Code.

**Article 450. Regulation of transitional tax relations pertaining to Section 5 of the Code**

1. In case of submitting, before the entry into force of the Code, more than one unified verified calculation reports of VAT and excise tax for each reporting period before the entry into force of the Code, the penalty prescribed by part 3 of Article 10 of the Law of the Republic of Armenia “On excise tax” shall not be applied.

2. The deadline for the monthly payments of excise tax for the 4<sup>th</sup> quarter of 2017 shall be 20 January 2018, inclusive, while the debit amounts shall be recorded the day of submitting the tax calculation report.

**Article 451. Regulation of transitional tax relations pertaining to Section 6 of the Code**

1. The advance profit tax payments made during 2017 using the alternative method of making advance profit tax payments shall be calculated and made until the 15<sup>th</sup> day, inclusive, of the last month of relevant quarters of 2017. The tax base of transactions of the quarters of the period until 31 December 2017, inclusive, which are taxed and not taxed by VAT, shall be calculated on the basis of the tax base of transactions — taxed and not taxed by VAT — reflected in the VAT quarterly calculation reports submitted to the tax authority for those quarters (in case of persons considered to be monthly VAT payers, the total amount of the tax base of transactions — taxed and not taxed by VAT — for the months included in those quarters reflected in VAT monthly calculation reports submitted to the tax authority).

2. Resident profit taxpayers and non-resident profit taxpayers carrying out activity in the Republic of Armenia through permanent establishment shall for the first time calculate and make advance profit tax payments for 2018 as prescribed by Article 135 of the Code. Prior to calculating the amount of profit tax for 2017 (prior to submitting to the tax authority the calculation report of the profit tax for 2017), the taxpayers referred to in this part shall each time make the advance profit tax payments in an amount not less than that of the last advance payment of 2017, except for the cases prescribed by part 4 of Article 135 of the Code. While making the first advance payment as prescribed by part 1 of Article 135 of the Code after calculating the amount of profit tax for 2017 (after submitting to the tax authority the calculation report of the profit tax), adjustment in the amounts of advance payments shall be made before the submission of the calculation report of the profit tax during 2018, by the sum total increasing since the beginning of the tax year and in the amount referred to in part 1 of Article 135 of the Code.

3. Individual entrepreneurs and notaries shall for the first time calculate and pay the advance profit tax payments for the first quarter of 2018 as prescribed by Article 135 of the Code, taking as a basis the amount of income tax calculated based on the results of the activity of the tax year of 2017 instead of amount of the profit tax calculated based on the results of the activity of the preceding tax year. Prior to calculation of the amount of income tax for 2017 (prior to submission to the tax authority of the calculation report of the income tax for 2017), the taxpayers referred to in this part shall each time make the advance profit tax payments in an amount not less than that of the last advance payment of income tax for 2017, except for the cases prescribed by part 4 of Article 135 of the Code. While making the first advance payment as prescribed by part 1 of Article 135 of the Code, after calculation of the amount of income tax for 2017 (after submission to the tax authority the calculation report of annual incomes), adjustment in the amounts of advance payments made before the submission of the calculation report of annual incomes during 2018 shall be carried

out, by the sum total increasing since the beginning of the tax year and in the amounts referred to in part 1 of Article 135 of the Code.

4. Where the fixed assets were acquired (constructed, developed) before 1 January 2014:

(1) as of 1 January 2018, the book values thereof shall be considered to be original costs of the relevant fixed assets after the adoption of the Code;

(2) as of 1 January 2018, the remaining amortisation periods thereof shall be considered to be the minimum amortisation terms of the relevant fixed assets after the adoption of the Code.

5. Where the fixed assets were acquired (constructed, developed) before 1 January 2014:

(1) the differences between the original costs thereof and the amortisation deductions calculated in respect of the relevant fixed assets before 1 January 2018 as prescribed by Article 12 of the Law of the Republic of Armenia “On profit tax” shall be considered to be the original costs of the fixed assets;

(2) the differences between the amortisation terms of relevant groups of fixed assets prescribed by Article 121 of the Code and those of actual amortisation deductions calculated in respect of relevant fixed assets before 1 January 2018 as prescribed by Article 12 of the Law of the Republic of Armenia “On profit tax” shall be considered to be the minimum amortisation terms of the relevant fixed assets.

6. 20 February 2018, inclusive, shall be defined as the deadline for the monthly payments of non-resident profit tax of tax agents for 2017.

7. The minimum profit tax amounts paid and actually not offset from the profit tax in respect of the reporting periods before 1 January 2014 shall be offset from the actual profit tax amounts of resident profit taxpayer in respect of the reporting periods before 1 January 2017, as prescribed by the law effective before 1 January 2014.

**Article 452. Regulation of transitional tax relations pertaining to Section 8 of the Code**

1. Section 8 of the Code shall apply to the relations, which emerged after the entry into force of the Code, while the legislation regulating the relations pertaining to the environmental fees emerged before the entry into force of the Code shall apply to the relations pertaining to the environmental tax emerging before the entry into force of the Code.
2. The limits of the tax base defined by the Code in respect of the environmental tax, which had not been defined in respect of environmental fees before the entry into force of the Code, shall apply to the tax base calculated after the entry into force of the Code.
3. The statute of limitations prescribed by the General Part of the Code for arising of additional liabilities shall also apply in case of violations in the procedure of calculation and payment of environmental fees carried out before the entry into force of the Code and detected as prescribed by Section 17 of the Code.
4. The calculation object of the environmental fee prior to the entry into force of the Code shall, starting from 1 January 2018 to 31 December 2020, inclusive, be considered to be environmental tax base for storing the subsoil, industrial and/or consumption waste in specifically designated areas.
5. Starting from 1 January 2018 to 31 December 2020, inclusive, the environmental fee for storing the subsoil, industrial and/or consumption waste in specifically designated areas shall be calculated in the manner and at the rates prescribed for calculation of environmental fee before the entry into force of the Code.

**Article 453. Regulation of transitional tax relations pertaining to Section 9 of the Code**

1. Section 9 of the Code shall apply to the relations, which emerged after the Code entered into force, while the legislation regulating the relations related to road fees before the entry into force of the Code shall apply to the relations related to the road tax, which emerged before the entry into force of the Code.
2. The statute of limitations prescribed by the General Part of the Code for arising of additional liabilities shall also apply in case of violations in the procedure of calculation and payment of road fees carried out before the entry into force of the Code and detected as prescribed by Section 17 of the Code.

**Article 454. Regulation of transitional tax relations pertaining to Section 10 of the Code**

1. Section 10 of the Code shall apply to the relations, which emerged after the Code entered into force, while the legislation regulating the relations pertaining to natural resources utilization fees emerged before the entry into force of the Code shall apply to the relations pertaining to the natural resources utilization fee, which emerged before the entry into force of the Code.
2. The benefits granted in respect of the natural resources utilization fee pursuant to the decisions of the Government of the Republic of Armenia before the entry into force of the Code shall be effective until the end of the terms prescribed by the relevant decisions of the Government of the Republic of Armenia.
3. The fee base limits defined by the Code in respect of the natural resources utilization fee, which had not been defined in respect of natural resources utilization fees before the entry into force of the Code, shall apply to the fee base calculated after the entry into force of the Code.

4. The statute of limitations prescribed by the General Part of the Code for arising of additional liabilities shall also apply in case of violations in the procedure of calculation and payment of natural resources utilization fees carried out before the entry into force of the Code and detected as prescribed by Section 17 of the Code.

**Article 455. Regulation of transitional tax relations pertaining to Section 13 of the Code**

1. The AMD 58,35 million threshold of the sales turnover prescribed by Articles 59 and 254 of the Code in respect of all types of activities during the preceding tax year, as well as the AMD 58,35 million threshold of the sales turnover in respect of all types of activities during the current tax year shall be effective starting from 1 January 2019, while the VAT threshold of the sales turnover for all types of activities during 2018 shall be defined at AMD 115 million.

2. 1 February 2018, inclusive, shall be defined as the deadline for the monthly payments of income tax of family entrepreneurship entities for 2017.

3. The organisations and sole proprietors carrying out the types of activities prescribed by part 1 of Article 276 of the Code shall submit a statement on paying license tax for the reporting period including January 2018 and shall make the payment of license tax before 20 January 2018, inclusive.

**Article 456. Regulation of transitional tax relations pertaining to Section 16 of the Code**

1. The overpayments as of the day of the entry into force of the Code shall be subject to record-keeping as prescribed by the procedure established before the entry into force of the Code, in a separate sub-account of the State Budget funds maintained by

the treasury. The refund of the overpayments referred to in this part shall be carried out pursuant to the procedure established after the entry into force of the Code.

2. The overpayments existing as of the day of the entry into force of the Code shall not be taken into consideration in terms of the calculation of fines with regard to the tax amounts emerged as a result of tax calculation reports (including verified) submitted by the taxpayer for the periods preceding the day of the entry into force of the Code.

3. As of the day of entry into force of the Code, the taxpayers shall be exempt from the calculated and outstanding amounts of minimum profit tax, as well as from the obligation of paying the prescribed fines.

4. Tax liabilities shall not be imposed in respect of the minimum profit tax amounts for the period preceding the day of the entry into force of the Code on the basis of the results of checks carried out according to the procedure established after the entry into force of the Code.

5. The amounts paid by the taxpayers failing to submit a statement on any tax calculation and termination of activity from 1 January 2010 until the day of the entry into force of the Code for the reporting period until 1 January 2010 shall be removed from records, if tax calculation reports have not been submitted for those reporting periods.

6. The liabilities incurred and debit amounts emerged as a result of calculations (including verified) related to the reporting periods until 1 January 2018 shall be subject to record-keeping as prescribed by the Government of the Republic of Armenia.

7. The satisfaction of tax liabilities arising as a result of the unified calculations of VAT and excise tax submitted to the tax authority for the reporting periods following the entry into force of the Code shall be primarily carried out at expense of the VAT

debit balance on the personal account card of the taxpayer and only then the amounts on the unified account.

8. If the tax liabilities declared in the unified calculation reports of VAT and excise tax formerly submitted to the tax authorities are reduced as a result of the unified calculation reports of the VAT and excise tax submitted to the tax authority after the satisfaction of tax liabilities with respect to VAT and/or excise tax as prescribed by part 8 of this Article, the amount repaid at the expense of the debit balance on the personal account card of the taxpayer shall be recovered as prescribed by part 8 of this Article on the personal account card of the taxpayer as a debit amount (it shall not be credited to the unified account).

**Article 457. Regulation of transitional tax relations pertaining to Section 17 of the Code**

1. The tax inspections, tax examinations and other actions carried out within the scope of tax administration, which started and were not completed before the entry into force of the Code, shall continue, and the results thereof shall be summed up as prescribed by the legislation effective before the entry into force of the Code.

2. As of the first day of the month following the month when the Code entered into force, the VAT payers shall keep records of stock-on-hand according to the places of delivery and storage. The taxpayers, who are not considered to be VAT payers as of the point of entry into force of the Code, but will at any date in the future be considered to be a VAT payer or a newly-established VAT payer (who received state registration or record-registration) or the taxpayers, the customs value of whose goods imported from non-EAEU states under the customs regime “Release for domestic consumption” and the VAT tax base (without excise tax) of goods imported from EAEU member-states determined in the manner prescribed will exceed the threshold of AMD 100 million during any month of the tax year, the record-keeping of stock-on-hand shall be carried out on the first day of the month following the month of the day of



being considered to be a VAT payer or exceeding the threshold of AMD 100 million during any of the months of the tax year. The results of the record-keeping referred to in this point shall be reflected in the form defined by the tax authority. The taxpayers may reflect the results of record-keeping in another format but mandatorily observing the required data and requisites in the form prescribed by the tax authority.

3. The excise stamps and labels put into circulation before the entry into force of the Code shall continue to be applied as long as they have not been removed from circulation as prescribed by the legislation effective before the entry into force of the Code.

4. The excise stamps and labels shall for the first time be put into circulation as prescribed by the Code after the entry into force of the Code.

**Article 458. Regulation of transitional tax relations pertaining to Section 18 of the Code**

1. The sanctions prescribed by Section 18 of the Code for violating the requirements defined by the Code or for failing to comply with them shall be effective until the entry into force of the new Code of the Republic of Armenia on Administrative Offences in case sanctions are prescribed by it for violating the defined requirements or for failing to comply with them.

**President  
of the Republic of Armenia**

**S. Sargsyan**

1 November 2016

Yerevan

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