

LAW
OF THE REPUBLIC OF ARMENIA

Adopted on 17 December 2014

ON STATE SUPPORT TO THE INFORMATION TECHNOLOGIES SECTOR

Article 1. Subject matter of the Law

1. This Law shall establish the key principles of state support to the information technologies sector and regulate the relations concerning the formation of a state support implementation system in the sector concerned and the operation thereof.

Article 2. Legislation on state support to the information technologies sector

1. The legislation on state support to the information technologies sector consists of this Law, the Civil Code of the Republic of Armenia and other legal acts.
2. Where the international treaties of the Republic of Armenia prescribe rules other than those provided for by this Law, the rules of the international treaties shall apply.

Article 3. Main concepts used in the Law

1. The following main concepts shall be used in this Law:
 - (1) **information technologies** — computer-based, particularly, software maintenance or management related information technologies, as well all types of technologies used for creating, transforming, storing, protecting, processing,

transmitting and safe obtaining of information in all formats, including data, images (dynamic, static);

(2) types of activities subject to state support:

a. software processing which shall include software creation, alterations, testing and support, creation of applied software for clients, development of software, applied software, main databases for systems, development of the structure and content of the websites and (or) creation of automatic commands required for development and launching thereof, software adjustment — the modification of the applied software developed for performance of certain functions and adaptation thereof to the environment of the information system of the clients;

b. consultancy-related activities in the field of computer technologies, which include development and designing of computer technical means, integrated computer systems for software and communication technologies, and services related to training of the users;

c. activities related to computer system management which include the intra-network management and creation of computer systems for the clients and (or) maintenance of the technical means for data processing and other support-related services;

d. data processing, information hosting in the network and related activities which include provision of infrastructures for web hosting in the network, data processing (complete processing of data provided by the users or by applying original software, services ensuring automatic data processing and data input including the services for management of main databases) and related services, specialised services related to the hosting services — Web hosting, in-line transmission of data (not broken down into packages) or hosting of applied software, launching of software and hardware resources,

user maintenance via the server (host computer) operating in the distribution mode of the total time;

e. actions related to the web-portals, which include actions concerning the websites — application of search systems for formation and maintenance of comprehensive main databases in a certain format posted on the Internet, with the view of arranging easy and available searching by addresses or contents, actions related to other websites which operate as Internet portals such as the periodically updated news and information sites;

f. implementation of education and research programmes in the field of information technologies;

(3) **economic operator** — commercial and non-commercial organisations carrying out activities in the field of the information technologies including foreign legal persons, branches or representations of legal persons, and individual entrepreneurs;

(4) **accelerators, incubators** — organisations which support the innovative projects of startup and small organisations at all stages of their development by providing consultations and (or) other resources;

(5) **technopark, technocentre** — the legal person or the union of legal persons (participants) organised on a contractual basis with regard to joint activities, the key task whereof is implementation of investment and innovative programmes through setting up of relevant logistics, financial base — formation of innovative environment, and the activities aimed at introduction of knowledge-based development works, high technologies and production of competitive products in the world market;

(6) **certificate** —document certifying the right to tax privileges;

- (7) **certification commission** — commission competent for issuance, modification, rejection and withdrawal of the certificate as prescribed by this Law;
- (8) **certified person** — **economic** operator having obtained certificate, as prescribed by this Law;
- (9) **direct participation in the statutory capital** — the fact of being the owner of stocks, shares or equities in the statutory capital of the legal person;
- (10) **indirect participation in the statutory capital** — within the meaning of this Law, indirect participation shall be deemed participation of the legal person in the statutory capital of a kind, in case of which:
- a. the participant does not hold participation (stock, share or equity) in the statutory capital of the legal person or holds nonvoting shares, while through that kind of participation, directly or indirectly, due to his/her business reputation or authority, has the opportunity to predetermine the decisions of the management bodies of the legal person concerned, significantly influence on decision-making (implementation of decisions) or predetermine the directions, fields of activities of the legal person concerned;
 - b. the participant does not hold participation (stock, share or equity) in the statutory capital of the legal person or nonvoting shares, while he/she has the opportunity to predetermine the decisions of the management bodies of the legal person concerned, significantly influence on decision-making (implementation of decisions) or predetermine the directions, fields of activities of the legal person concerned, by virtue of his/her right of demand in relation to the legal person concerned;
 - c. the participant holds 50% and more of the voting shares in the statutory capital of the legal person holding participation in the statutory capital of the legal person;

d. the participant holds participation in the statutory capital of the legal person holding participation in the statutory capital of the legal person and due to his/her business reputation or authority, has the opportunity to predetermine the decisions of the management bodies of the legal person concerned, significantly influence on decision-making (implementation of decisions) or predetermine the directions, fields of activities of the legal person concerned.

Article 4. Principles and objectives of state support to the information technologies sector

1. State support to the information technologies sector shall be implemented based on the principles of cooperation between the state and private sectors, and those of publicity.
2. The objective of state support to the information technologies sector shall be:
 - (1) enhancement of competitiveness;
 - (2) engagement of skilled labour force and the continuous improvement of skills, though provision of competitive salaries (incomes);
 - (3) implementation of scientific and research works under the grant programmes and support to rising of the startup organisations;
 - (4) promotion and attraction of venture and foreign capital investments.

Article 5. Entities enjoying state support to the information technologies sector

1. Within the scope of this Law, the following economic operators shall enjoy state support:

- (1) startup economic operators carrying out entrepreneurial activities in the information technologies sector;
- (2) economic operators carrying out activities of introduction of innovative and modern information technologies;
- (3) infrastructures promoting development of the information technologies sector, including technoparks, technocentres, accelerators, incubators;
- (4) economic operators implementing education and research programmes in the information technologies sector.

Article 6. Implementation of state support for the information technologies sector

1. With the view of providing favourable financial conditions to the economic operators carrying out activities in the information technologies sector, attracting investments and promoting external economic activities, the state support shall be implemented under the programme (hereinafter referred to as "the Programme"). The Programme shall be elaborated by the state administration body authorised by the Government of the Republic of Armenia and shall be approved by the Government of the Republic of Armenia. The Programme shall be elaborated in accordance with the principles of this Law and the objectives of the support. The Programme shall be implemented under the procedure established by the Government of the Republic of Armenia.
2. The tax privileges shall be granted to the certified persons, in the amount prescribed by the Law of the Republic of Armenia regulating the tax relations and within the time period prescribed by this Law.

Article 7. Administrative register for the information technologies sector

1. With the view to perform sectoral record-keeping for development of the information technologies sector, the responsible state administration body authorised by the Government of the Republic of Armenia shall keep an administrative register (hereinafter referred to as "the administrative register") for the information technologies sector.

2. The administrative register shall comprise database subject to continuous updating on actual place of activities of the economic operators registered (kept on record) in the Republic of Armenia or place of the executive body of the economic operator, core and non-core activities, number of employees, foreign participation, products produced, scope of the services provided, export, investment (including foreign investments), income, import related and other required indicators.

3. The administrative register for the information technologies sector shall be established based on the information exchanged and provided as prescribed by the legislation of the Republic of Armenia, between the tax authorities, the state administration body authorised by the Government of the Republic of Armenia, responsible for the state register of the legal persons and the development of the sector, as well as on the reports of the economic operators.

4. The forms of reports of the economic operators and the procedure for submitting thereof shall be established by the state administration body authorised by the Government of the Republic of Armenia.

5. Depending on the nature of the indicators subject to collection, the reports shall be submitted on a monthly, quarterly or semi-annual basis, which is determined by the state administration body authorised by the Government of the Republic of Armenia.

**Article 8. Requirements for the economic operators —
under certification and certified**

1. Certification shall be carried out on a voluntary basis.
2. The economic operators applying for certification must comply with the following requirements:
 - 1) they are set up exclusively for the purpose of carrying out activities under the types of activities specified by point 2 of part 1 of Article 3 of this Law, provided they are not set up due to reorganisation of another economic operator and they are not a subsidiary company of another economic operator;
 - (2) the number of employees does not exceed 30.
3. Alienation of fixed assets as well as conclusion of a contract on joint activities during the validity period of the certificate shall be the activities other than the types of activities prescribed by point 2 of part 1 of Article 3 of this Law.
4. The number of employees prescribed by point 2 of part 2 of this Article may not exceed 30 during the validity period of the certificate.
5. The certified persons:
 - (1) shall be obliged to comply with the requirements specified in parts 2-4 of this Article during the validity period of the certificate;
 - (2) may not alienate the output of activities prescribed by point 2 of part 1 of Article 3 of this Law, to other economic operators — the residents of the Republic of Armenia, carrying out activities in the information technologies sector, except for the cases of implementing education programmes.

Article 9. Certification commission

1. Certification shall be carried out by the commission formed by the decision of the Government of the Republic of Armenia.

The commission shall be comprised of 5 members, which includes:

- (1) the representative of the Staff of the Government of the Republic of Armenia;
- (2) the representative of the state administration body authorised by the Government of the Republic of Armenia — responsible for development of the sector;
- (3) the representative of the state administration body authorised by the Government of the Republic of Armenia, elaborating and implementing the policy of the Government of the Republic of Armenia in the fields of management of state finances and generation of state incomes;
- (4) two representatives of non-commercial organisations and unions representing the interests of organisations carrying out activities in the sector.

The procedure and conditions for involving the representatives of non-commercial organisations and unions representing the interests of organisations carrying out activities in the sector, in the composition of the commission, shall be established by the decision of the Government of the Republic of Armenia.

2. The sitting of the commission shall have quorum where attended by all the members of the commission, and in case any of the members of the commission is absent, the sitting shall be deemed void, and a new sitting shall be convened. The members of the commission may authorise, as prescribed by law, other persons to attend the sitting of the commission on their behalf; moreover, where a member of the commission fails to attend the sitting twice consecutively and fails to authorise other

persons to attend the sitting of the commission on his/her behalf, this may not serve as a ground to deem the sitting of the commission void.

3. Decisions of the commission shall be adopted by the simple majority of votes.
4. Minutes shall be taken on each sitting of the commission. Minutes shall be signed by the members having attended the sitting.
5. The sittings of the commission shall be convened and other ongoing operations shall be arranged by the secretariat of the commission. The state administration body authorised by the Government of the Republic of Armenia, responsible for development of the sector, shall be the secretariat of the commission.
6. The commission shall be obliged to adopt the decision on issuance or rejection of the certificate within a 30-day period after the receipt of the application for issuance of the certificate.

Article 10. Powers of the commission

1. The commission shall:
 - (1) consider and discuss the applications submitted for certification;
 - (2) adopt decisions, as prescribed by this Law, on issuance, modification or rejection of the certificate;
 - (3) submit proposals to the Government of the Republic of Armenia on arrangement of the certification process, as well as on improvement of the legislation supporting development of the information technologies.

Article 11. Issuance and modification of the certificate

1. Certification shall be carried out under the procedure established by the Government of the Republic of Armenia.
2. The economic operators complying with the requirements specified in part 2 of Article 8 of this Law shall be obliged to apply for certification within a period of 3 months upon the state registration.
3. A certified person shall be obliged to submit a statement, at least one month prior to the end of each financial year, under the procedure and in the form prescribed by the Government of the Republic of Armenia, supporting his/her compliance with the requirements set by this Law with regard to the certified persons.
4. The economic operators complying with the requirements specified in part 2 of Article 8 of this Law, in order to obtain certificates, shall be obliged to submit:
 - (1) an application for obtaining a certificate;
 - (2) the number of state registration of legal persons;
 - (3) the detailed description and directions of the activities of the economic operator, according to the types of activities prescribed by point 2 of part 1 of Article 3 of this Law;
 - (4) a statement that the economic operator will only carry out, within the time period set for enjoying the privileges granted under the certificate, the types of activities prescribed by point 2 of part 1 of Article 3 of this Law;
 - (5) a statement of information on the number of employees, position titles, as well as first names and last names thereof;
 - (6) a statement that setting up of an economic operator does not be ground for liquidation or reorganisation of another economic operator, also that the economic operator is not a subsidiary company of another company;

(7) the data on the persons holding direct or indirect participation in the statutory capital of the economic operator having applied for certification — under the procedure and in the form established by the Government of the Republic of Armenia.

5. Where a certified person makes a decision on carrying out, during the validity period of the certificate, the types of activities which have not been represented during certification but are subject to certification pursuant to this Law, he/she shall be obliged to apply to the commission as prescribed by part 4 of this Article, for modification of the certificate.

Article 12. Rejection of a certificate

1. The application for issuance of the certificate shall be rejected where:

(1) the economic operator having applied for certification fails to comply with the requirements prescribed by this Law, with regard to the economic operators having the right to obtain a certificate;

(2) the application for obtaining a certificate has been submitted in violation of the time period prescribed by part 2 of Article 11 of this Law;

(3) the documents submitted for certification are incomplete, unreliable and fail to comply with the requirements of this Law and other regulatory legal acts;

(4) the persons holding direct or indirect participation in the statutory capital of the economic operator having applied for certification, have previously violated the requirements of this Law;

(5) any of the persons holding direct or indirect participation in the statutory capital of the economic operator having applied for certification, has previously held direct or indirect participation in the statutory capital of another legal person having violated the requirements of this Law;

(6) the certificate issued to the economic operator has previously been withdrawn on the grounds provided for by points 4 and 5 of part 1 of Article 13 of this Law.

2. In case there are grounds for rejection, prescribed by point 3 of part 1 of this Article, the commission shall suspend final decision and deliver in writing, through the secretariat of the commission, a proposal to the economic operator having applied for certification, on elimination of deficiencies and inconsistencies in documents. In case the economic operator fails to eliminate the deficiencies and inconsistencies within five working days after the receipt of the proposal from the secretariat of the commission, the application shall be rejected.

Article 13. Withdrawal of the certificate

1. The certificate shall be withdrawn where:

- (1) the validity period of the certificate expired;
- (2) the economic operator submitted an application on withdrawal of the certificate;
- (3) the requirements specified by part 5 of Article 8 of this Law were violated during the validity period of the certificate;
- (4) the economic operator violated the requirements of part 5 of Article 11 of this Law;
- (5) the economic operator submitted unreliable information for certification.

2. In cases provided for by points 2-5 of part 1 of this Article, the certificate shall be withdrawn by the decision of the commission.

Article 14. Submission of reports by certified persons

1. The certified persons shall be obliged to submit on semi-annual basis — before the 20th day of the month following each semester, reports to the commission, concerning the outcomes achieved during the validity period of the certificate, as well as other information as prescribed by the Government of the Republic of Armenia.

Article 15. Publicity

1. The list of the certified persons shall be published on the official website of the state administration body authorised by the Government of the Republic of Armenia, responsible for development of the sector.

2. The titles of the economic operators having violated the requirements of this Law, including the titles or names of the persons holding direct or indirect participation in the statutory capital of the economic operator concerned, shall be published on the official website of the state administration body authorised by the Government of the Republic of Armenia, responsible for development of the sector. The publication concerned shall be posted until 1 January 2020.

Article 16. Provision of information

1. The body performing state registration (record-keeping) of legal persons and the individual entrepreneurs shall be obliged to submit, on a quarterly basis, information on the state registration of the economic operators carrying out activities in the information technologies sector, to the state administration body authorised by the Government of the Republic of Armenia, responsible for development of the sector, under the procedure prescribed by the Government of the Republic of Armenia.

2. The tax authorities shall be obliged to submit, on a quarterly basis, information they possess and specified in part 2 of Article 7 of this Law, to the state administration

body authorised by the Government of the Republic of Armenia, responsible for development of the sector, under the procedure prescribed by the Government of the Republic of Armenia.

Article 17. Liability for violating the provisions of this Law

1. Violation of the requirements of this Law shall result in liability provided for by law.
2. Where the certificate has been withdrawn due to violation of this Law, the amounts received as tax privileges and the amounts of taxes not paid into the state budget during the validity period of the certificate, as well as the penalties and fines prescribed by the law regulating the tax relations, shall be paid into the state budget.

Article 18. Transitional provisions

1. This Law shall enter into force on the tenth day following the day of its official publication, except for Article 7 of this Law, which shall enter into force from 1 January 2016.
2. The deadline for receipt of applications for issuance of the certificate shall be set 1 December 2017, as prescribed by this Law.
3. The tax privileges being granted under this Law shall be valid until 1 January 2020.

President of the Republic of

Armenia

S. Sargsyan

30 December 2014

Yerevan

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