

# THE LAW OF THE REPUBLIC OF ARMENIA

## ON INCOME TAX

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### PART 1. GENERAL PRINCIPLES OF TAXATION

#### Chapter 1. General Provisions

##### *Article 1. Scope of this Law*

This law regulates relations pertaining to the assessment and payment of income tax in the Republic of Armenia, defines income taxpayers, tax rates, and procedures on the calculation and payment of income tax in the Republic of Armenia.

##### *Article 2. Concept of the Income Tax*

Income tax is a direct tax paid by taxpayers (or by a tax agent in cases specified by law) to the state budget in the amount and according to the procedures established by this law.

#### Chapter 2. Income Tax Payers and the Object of Taxation

##### *Article 3. Income Tax Payers*

1. In the Republic of Armenia income taxpayers are resident (hereinafter referred to as “residents”) and non-resident individuals of the Republic of Armenia.

2. For the purposes of this law an individual that, during any twelve month period starting or ending in a tax year (from January 1 to December 31 inclusive) has been residing in the Republic of Armenia for a total duration of 183 days or more, or whose center of vital interests is in the Republic of Armenia, as well as an individual in the civil service of the Republic of Armenia who is temporarily working outside the territory of the Republic of Armenia, shall be considered a resident.

For the purposes of this law the center of a person's vital interests is the place where a person's family or economic interests are. Interests of a person shall be deemed, in particular, to be located in the Republic of Armenia, provided the house or apartment where the person's family resides is therein, or the principal personal or family property, as well as the principal place of implementation of the economic (professional) activity, is located therein.

##### *Article 4. Object of Taxation*

1. For a resident taxable income received within or outside the territory of the Republic of Armenia is considered the object of taxation.

2. For a non-resident taxable income received from Armenian sources is considered the object of taxation. For a non-resident taxable income received from Armenian sources is considered the object of taxation.

### ***Article 5. Taxable Income***

Taxable income is the positive difference between the gross income of a taxpayer and the deductions made pursuant to the provisions of this law.

## **Chapter 3. Gross Income**

### ***Article 6. Gross Income***

Gross income is the total of all the earnings received by a taxpayer within a reporting period irrespective of the source. For the purposes of this law the following shall be considered income:

- a) salaries and wages;
- b) compensation received for the use or the rights to the use of any copyrights of pieces of literature, art or science, of any patents, trademarks, projects or models, plans, classified formulae or processes, software for computers or databases, the rights for the use of industrial, commercial or scientific equipment, as well as for the provision of information about industrial, technical, organizational, commercial, scientific experience (hereinafter referred to as "royalties");
- c) interest and other compensation received from loans (hereinafter "interest");
- d) dividends;
- e) income (winnings) received in casinos and games with winnings;
- f) in-kind winnings (prizes) received at competitions and contests, as well as from lotteries;
- g) monetary winnings (prizes) received at competitions and contests, as well as from lotteries;
- h) property and cash received as a donation or assistance;
- i) property and cash received as inheritance;
- j) insurance compensation;
- k) income from business activity;
- l) income from alienation of property;
- m) payments and other compensation received from a lease (hereinafter "lease payments"), as well as income received from other civil and legal contracts;
- n) insurance payments made by legal persons or enterprises without the status of a legal person on behalf of individuals, except for mandatory social contributions defined by law.

In-kind (non-monetary income) shall be included in gross income (including the case of withholding of the tax by a tax agent pursuant to the provisions of this law) at the fixed (regulated) prices or, in case of the absence of such prices, at free (market) prices, pursuant to the procedure established by the Government of the Republic of Armenia. Income received by individuals in foreign currency shall be recalculated in drams of the Republic of Armenia based on the exchange rate announced by the Central Bank of the Republic of Armenia on the day of the receipt of such income.

### ***Article 7. Items not Considered Income***

For the purposes of this law the following items shall not be considered income:

- a) state benefits paid in accordance with the legislation of the Republic of Armenia, with the exception of benefits for temporary work disability and for the care of a sick family member;
- b) all types of pensions paid in accordance with the legislation of the Republic of Armenia;
- c) one-time compensation paid in accordance with the legislation of the Republic of Armenia to families of deceased or disabled servicemen;
- d) alimony paid in accordance with the legislation of the Republic of Armenia;
- e) amounts received by individuals for donated blood, breast milk and other types of donations.

## **Chapter 4. Deductions From the Gross Income**

### ***Article 8. Deductions from Gross Income***

1. When determining taxable income deductions provided by this law (deductible income, personal deductions and expenses) may be subtracted from gross income.
2. The same amount may be deducted from gross income only once.

### ***Article 9. Deductible Income***

When determining taxable income the following shall be subject to deduction from the taxpayer's gross income:

- a) income of servicemen and persons considered equal thereto for military service;
- b) compensation paid within the norms specified in the legislation of the Republic of Armenia, except for compensation payments for unused leave days in the event of quitting work;  
In case when there are no deduction norms specified in the legislation of the Republic of Armenia for compensation payments provided by this sub-clause gross income is deducted by the total amount of compensation for documentarily supported expenses.
- c) property and cash received from individuals as inheritance or gifts in accordance with the legislation of the Republic of Armenia;
- d) amounts of monetary and in-kind assistance provided to individuals within the confines of charter activities of non-commercial organizations registered pursuant to the procedures established by the legislation of the Republic of Armenia and registered with the tax agency;
- e) amounts of financial assistance provided based on decisions of state administration and local government bodies of the Republic of Armenia, as well as such provided by foreign states and international (intergovernmental) organizations;
- f) the value of food allowances as well as amounts paid in lieu of such allowance;
- g) gratis amounts considered grants under procedures established by the law;
- h) amounts received by individuals from individuals and organizations who are not tax agents for the sale of their property, with the exception of amounts received from the sale of property for business purposes;
- i) the positive difference between the face value and the purchase price of privatization certificates in cases of acquisition and investment of privatization certificates by individuals in the procedure established by the legislation;
- j) scholarships and stipends paid by the State to students and post-graduates of higher educational institutions, students of specialized-secondary and vocational schools, attendants of religious seminaries, as well as scholarships allocated by the educational institutions or organizations mentioned in sub-clauses "d" and "e";
- k) insurance compensation;
- l) interest accrued and/or paid and other compensation from bank deposits and deposit certificates;
- m) income received from securities in accordance with article 10 of this law;
- n) amounts received as a compensation for damages under due procedures of law, with the exception of compensation for lost income;
- o) the amount of severance pay received in cases of dismissal under legislation of the Republic of Armenia;
- p) additional pension amounts received through voluntary pension insurance;
- q) lump-sum amounts paid upon the death of an employee or his/her family member;
- r) prizes won at international competitions and contests by athletes and coaches participating for the national team of the Republic of Armenia;
- s) monetary and in-kind winnings of the participants in lotteries implemented pursuant to the procedure and terms specified by the legislation of the Republic of Armenia;
- t) the amount of monetary winning received at competitions and contests up to 10,000 drams per payment;
- u) interest paid for servicing target loans taken by individuals for the purpose of constructing individual housing;
- v) ten percent of annual tuition paid by the students studying under the paid education quota determined by the Government of Armenia for a higher educational institution;
- w) state awards (prizes).

#### ***Article 10. Deduction of Income Received from Securities***

1. Unless otherwise provided in this article, when determining taxable income of the taxpayer gross income shall be reduced by:

- a) the amount of dividends received. For the purposes of this law income received from participation (part, share, stock) in the charter capital of a legal person or in the enterprise without the status of a legal person shall be considered dividends;
- b) the amount of income derived in the form of interest or, in case of redemption, in the form of discount, from treasury bonds and other state securities;
- c) invalid;
- d) the amount of income received from the sale, exchange of treasury bonds and other state securities with other securities, or from other similar transactions;
- e) the amount of the income received from the sale, exchange of shares or other securities with other securities, or from other similar transactions.

2. Income provided by clause 1 of this article shall not be subject to deduction from gross income in cases when:

- a) it is received from the sale or exchange of a promissory note, check or other payment security issued as a payment instrument; or
- b) it is actually received as a payment for goods, work or services, or substitutes for such payments, irrespective of the existence of an actual investment or a loan on security.

3. A taxpayer who is considered an independent investment broker or dealer may reduce his/her gross income in the

amount of the income defined in clause 1 (d) and (e) of this article, provided:

a) before the end of the working day when the security was purchased it has been registered in the journal of the taxpayer (or another medium for the registration of transactions) as a security purchased with the purpose of investment, and

b) the taxpayer does not dispose of the security within twenty-four months following the day of the purchase. For the purposes of this point, pledging the security, transferring it into the entrusted administration with a sale or exchange option, handing it to other individual or organization by power of attorney and providing a sale or exchange option, or any other transaction that results in the effective sale of the security shall be considered a sale at the moment of the underlying transaction.

4. In cases when a taxpayer is entitled to a reduction provided by this article and, pursuant to any other article of this law, a deduction of the purchase price of a security is made from his/her gross income, the latter may be reduced, pursuant to clause 1 (d) and (e) of this article only in the amount of the difference between the purchase price and the income (revenue) received from the sale of the security in question.

### ***Article 11. Income Derived from Agricultural Production***

1. When determining taxable income the gross income of a taxpayer involved in agricultural production shall be reduced by the amount of income derived from the sale of agricultural production, as well as by the amount of income received from other activities, provided the other activities do not exceed 10 percent of the income received from agricultural and other operations.

2. For the purposes of this article the following products received through the biological processing of plants and animals for final or intermediate consumption shall be considered agricultural production:

- cereals and beans;
- technical crops;
- tuberous plants, vegetables and greens, and the products of the covered soil;
- fodder plants of field cultivation;
- other products of the fodder production;
- products of gardens, vineyards, perennial plantations and floriculture;
- seeds of trees and shrubs, as well as fruit seeds;
- seedlings of trees and shrubs;
- saplings of trees and shrubs;
- products of cattle-breeding;
- products of pig-breeding;
- products of sheep-breeding and goat-breeding;
- products of poultry farming;
- products of horse-breeding, ass-breeding and mule-breeding;
- products of deer-breeding and camel-breeding;
- products of rabbit-breeding, fur animal breeding and hunting;
- products of fisheries, apiculture, silkworm cultivation and artificial insemination.

3. In the event it is impossible to accurately calculate income received from agricultural products the income is to be calculated on the basis of the cadastral net income data defined pursuant to the procedure established by the legislation of the Republic of Armenia.

4. The privilege defined in this article shall not apply to taxpayers conducting agricultural activity of an industrial type (greenhouses and animal-breeding farms, cattle-breeding complexes, agricultural plants, poultry farms, etc.) for any income derived from the sales of agricultural products that have undergone industrial processing. The determination of agricultural activity of an industrial type shall be performed in accordance with the criteria established by the Government of the Republic of Armenia.

### ***Article 12. Payments for Pension, Employment and Social Security***

1. When determining taxable income, gross income shall be reduced by the amount of the pension, employment and social security payments made by the taxpayer.

2. The reduction indicated in clause 1 of this article, in cases provided by this law, shall be calculated and made after deducting from gross income the amounts of expenses defined by this law pertaining to the receipt of individual types of income.

### ***Article 13. Charity and Other Donations***

When determining taxable income, gross income shall be reduced by the amount of the total cost of assets (goods and/or funds) transferred (provided) or services rendered to the organizations listed below, although not to exceed 5

percent of the taxable income calculated pursuant to this law, namely:

- a) public and religious organizations, political parties of the Republic of Armenia;
- b) condominiums, non-profit organizations that have been organized and operate exclusively for religious, charitable and scientific purposes, testing for the purpose of public security, protection of the environment, dissemination of literature, culture and education, promotion and organization of amateur sport, protection of consumer rights, the rights of women, men, children and the elderly;
- c) libraries, museums, public schools, boarding-schools, nursing- and children's homes; and
- d) psychiatric and tuberculosis treatment infirmaries and hospitals.

#### **Article 14. Personal Deductions from Gross Income**

Gross income is reduced by 25,000 drams for each month income is received. For purposes of this deduction, when determining the monthly gross income of taxpayer a tax agent shall deduct this amount from income paid to the taxpayer, irrespective of whether similar deductions are made from other income received by the same taxpayer by other tax agents.

#### **Article 15. Expenses**

1. When determining taxable income, in addition to the deductions provided in this chapter, gross income of the taxpayer derived from business activity and the fulfillment of civil and legal contracts shall be reduced by the amount of necessary and documentary supported expenses based on the returns submitted by individuals. Expenses incurred directly and exclusively for the purpose of income generation shall be considered necessary.
2. The documentation needed to support expenses shall be specified by the Government of the Republic of Armenia.
3. When determining taxable income derived from business activity or the fulfillment of civil and legal contracts a taxpayer also may deduct 5 percent (but not exceeding 0.5 million drams) of expenses incurred but not supported by documentation.

#### **Article 16. Procedure for Making Deductions**

Deductions from gross income defined by this law shall be made by individuals themselves and shall be reflected in the annual income returns according to the procedure established by legislation, with the exception of cases provided for in article 17 of this law.

#### **Article 17. Deductions Made by a Tax Agent**

When paying income to an individual a tax agent shall make the following deductions:

- a) in the amount of income paid to the individual by the tax agent (as defined in articles 9, 10 and 11 of this law);
- b) upon the request of taxpayers - by the amount of deductions defined by article 14 of this law, after the submission by the individual of a written declaration on the non-execution of the mentioned deduction from the income received from other tax agents. The deductions defined in clauses 2, 3 and 4 of the above-mentioned article shall be performed by the taxpayer on the basis of the documents (copies) attesting the right of such deductions and issued pursuant to the procedure established by legislation;
- c) by the amount of obligatory payments defined by article 12 of this law, provided the obligation to calculate and withhold (impose) such payments in accordance with the procedure established by the legislation of the Republic of Armenia rests upon the tax agent in question, who pays income to the individual.

### **Chapter 5. Income Tax Rates**

#### **Article 18. Income Tax Rates**

1. Except for the cases specified in clauses 3, 4 and 5 of this article tax agents shall calculate income tax using the following rates:

Amount of Monthly	Taxable Income Tax Amount
Up to 80,000 drams	10 percent of taxable income
Over 80,000 drams	8,000 drams plus 20 percent of the amount exceeding 80,000 drams

2. Except for cases specified in clauses 3, 4 and 5 of this article income tax on income not taxed by tax agents shall be calculated using the following rates:

Amount of Annual	Taxable Income Tax Amount
Up to 960,000 drams	10 percent of taxable income
Over 960,000 drams	96,000 drams plus 20 percent of the amount exceeding 960,000 drams

Amount of Annual Taxable Income Tax Amount  
Up to 960,000 drams 10 percent of taxable income  
Over 960,000 drams 96,000 drams plus 20 percent of the amount exceeding 960,000 drams

3. Income tax on royalties and income gained from property leases shall be calculated at the rate of 10 percent without taking into account the deductions specified by this law.

4. Income tax on interest income shall be calculated at the rate of 10 percent without taking into account the deductions specified by this law.

5. Tax agents calculate income tax liability at 10 percent rate from income paid for acquisition of property to individuals, taking into account only the deductions specified by articles 10 and 11 of this law.

#### ***Article 19. Fixed Payments of Income Tax***

For certain taxpayers and/or types of activity the law may define fixed payments that substitute for the income tax.

### **Chapter 6. The Procedure of Calculating Income Tax and Payment by a Tax Agent**

#### ***Article 20. Withholding of Tax by a Tax Agent***

1. With the exception of cases mentioned in the clause 2 of this article, tax shall be withheld by a tax agent from income paid to individuals.

2. The tax shall not be withheld by the tax agent in the following cases:

a) when the income to be paid is derived from business activity (delivery of goods, performance of work and rendering of services), and a written civil-legal contract is entered into with the tax agent which indicates the taxpayer's identification number (TIN), passport data, domicile in the Republic of Armenia, as well as the number of the state registration certificate issued on the implementation of business activity;

b) invalid

c) when the income, defined in article 6 (e) and (f) of this law, is paid to the individual.

#### ***Article 21. Determination of the Amount of the Income Tax Paid by a Tax Agent***

1. The tax on the income, paid to an individual, shall be withheld by the tax agent at the following rates:

a) if a written contract as provided in article 20, clause 2 (a) of this law was not signed or a civil-legal contract (where passport data and address in the RA must be indicated) with the individual was not signed, tax is withheld at the rate of 3 percent of the income paid for commercial organizations and individual entrepreneurs and at rate of 15 percent of the income paid by other organizations, without taking into account deductions specified by this law;

b) in all other cases at the tax is withheld at rates defined in clauses 1, 3, 4 and 5 of article 18 of this law from taxable income calculated pursuant to this law.

2. Withholding of tax shall be subtracted from each payment. Along with this, in the event of each successive payment a progressive calculation of taxable income and tax shall be performed, based on the total amount of payments, paid to an individual by a tax agent at the given location of a payment within a current month, and from the amount of personal deductions.

#### ***Article 22. Peculiarities of Taxing Foreign Citizens and Stateless Persons***

1. When paying income to foreign citizens and stateless persons tax shall be withheld (imposed) by a tax agent at the source of payment of the income (with the exception of the case mentioned in article 20, clause 2 (a)) at the following rates:

Type of income	Amount (in %)
Insurance benefits received from insurance and income received from freight	5 percent
Royalties, interests, lease payments, increase in the value of property and other passive income (with the exception of income received from freight, as well as other passive income received from the sources in Armenia (as well as from business activity)	10 percent

Type of income Amount (in %)

Insurance benefits received from insurance and income received from freight 5 percent

Royalties, interests, lease payments, increase in the value of property and other passive income (with the exception of income received from freight, as well as other passive income received from the sources in Armenia (as well as from business activity) 10 percent

2. The taxation shall be performed on the total amount of the paid income with implementation of deductions, defined only in article 9 (m) of this law. The income tax on salaries and wages and the income deemed equal thereto shall be calculated and withheld (imposed) at the rates specified in article 18 of this law, without the execution of personal deductions provided by this law. Amounts withheld (imposed) by a tax agent at the above-mentioned rates shall be considered as the final amount of the income for foreign citizens and stateless persons in Armenia, with the exception of the cases when such person is a resident or he/she implements business activity in the Republic of Armenia under the terms indicated in article 20, clause 2 (a) of this law. In the mentioned cases foreign citizens and stateless persons must apply to the tax bodies of the location of his/her activity or domicile, in order to perform a recalculation. For this purpose, according to the procedure and terms established by this law, the income tax returns shall be submitted for the calculation of the final amount of the tax (particularly for offsetting the amount of the tax withheld at the source, as well as for the accounting of the deductions provided by this law).

#### ***Article 23. Payment of Withheld Tax Amount by the Tax Agent to the Budget***

A tax agent shall pay the withheld (collected) tax amount to the budget not later than the 5th day of the month following the payment of income to individuals.

#### ***Article 24. Issue of References by Tax Agents***

Upon request by individuals, a tax agents is obligaged to issue references on the amounts of the income accrued and paid, deductions taken and taxes withheld, for submitting them to the tax bodies as well as to other agents.

#### ***Article 25. Determination of the Income Tax Amount by Several Tax Agents***

In case of the shift of the tax agent during the tax year, each successive tax agent, at the request of the taxpayer, shall implement a progressive calculation of the taxable income and the amount of the tax, based on the total amount of the income paid to the taxpayer since the beginning of the year by the preceding tax agent(s) during the year in question, deductions made and taxes withheld, provided they have imposed the taxes in a similar way. The tax reference defined in article 24 of this law and issued by the preceding tax agent shall be taken as a basis for such progressive calculation. The Tax Inspectorate of the Republic of Armenia shall establish the form and the procedure on filling in such certificates

### **Chapter 7. Procedure of Calculation and Payment of Income Tax Derived from Business Activity**

#### ***Article 26. Calculation of Income Received from Business Activity***

When determining taxable income derived from business activity the accrual method shall be applied as it is for legal persons using the procedures defined by RA law "On Profit Tax".

#### ***Article 27. Accounting of Expenses***

1. The following are classified as expenses:

- a) material expenses;
- b) depreciation allowance;
- c) lease payments;
- d) insurance payments;
- e) uncompensated (non-credited) taxes, duties and other obligatory payments;
- f) interest on loans and other borrowings;

- g) payments on guarantees, sureties, letters of credit and other banking services;
  - h) advertising expenses;
  - i) representative expenses;
  - j) court expenses;
  - k) business trip expenses;
  - l) indemnification for damages;
  - m) penalties, fines and other proprietary sanctions, with the exception of penalties, fines and other proprietary sanctions levied into the state or municipal budgets as well as mandatory social contributions;
  - n) expenses for audit, legal and other consulting, information and management services;
  - o) expenses for factoring and trust operations;
  - p) expenses identified in the reporting year that have been understated in the course of three years immediately preceding the year in progress.
2. The taxpayer's investment in another person's charter capital shall not be considered an expense.
  3. When carrying out business activities, for accounting depreciation allowances and other expenses the norms fixed for expenses non-deductible from the gross income, the types of expenses established by the Government of the Republic of Armenia, in terms of deduction of expenses from gross income as well as in terms of losses of entrepreneurial activities of the reporting year, the norms set for legal persons by the provisions of the law of the Republic of Armenia on "Profit Tax" shall be applied.
  4. Losses incurred from business activity in the reporting year (in excess of expenses written off according to the established procedure, and other deductions from gross income) shall not be carried to succeeding years.

#### ***Article 28. Calculation of the Amount of the Tax***

The final calculation of the actual amount of the tax shall be performed by the taxpayer himself/herself and shall be reflected in the annual income tax returns in accordance with established procedures.

The amount of annual income tax paid by individual entrepreneurs may not be less than 30,000 (minimum amount of income tax).

If the amount of income tax calculated for the reporting year is less, the difference shall not be subject to return (including the case when the individual entrepreneur has ceased his activity). The difference can be credited only against amounts of income tax of the taxpayer calculated for the forthcoming period.

For individual entrepreneurs who have obtained state registration in the reporting year the minimum income tax amount for the year shall be calculated in proportion to months from the month of obtaining state registration till the end of the given year.

The minimum income tax amount for individual entrepreneurs who have submitted an application to cease their activity to the state registration agency according to procedure specified by legislation shall be calculated proportional to the months from the beginning of the given year till the month of state registration of ceasing the activity.

#### ***Article 29. Advance Payments of the Income Tax***

1. A taxpayer who derives income from a business activity must make advance payments of the income tax during the course of a year according to the procedure established by this article.
2. The advance payments must be made quarterly, not later than on the 15th day (or on the first working day following this day, if it is a holiday) of the last month of each quarter, in an amount equal to one-sixth of the actual amount of the income tax for the preceding year. In case of a failure to make advance payments within the set terms and in other cases specified by the law Tax Inspectorate bodies shall claim the amounts of the advance payments and fines accrued thereon, pursuant to the procedure established by legislation.
3. Taxpayers commencing new business activities are not required to make advance payments of income tax until June 15 of the following year, provided they have notified Tax Inspectorate bodies in advance.
4. Taxpayers who incurred losses within the preceding year or whose income tax did not exceed 50,000 drams are not required to make advance payments after the submission of the income tax returns. Prior to the calculation of the actual amount of the income tax for the preceding year the taxpayer shall perform the first advance payment of the income tax (before March 15) in the amount not less than the last advance payment of the preceding year.
5. If a taxpayer's taxable income in the current year is less than that of the preceding year, the taxpayer shall determine the amount of the quarterly advance payment himself/herself. If the annual total of such advance payments is less than two-thirds of the actual income tax for the current year the taxpayer shall pay a penalty on the amount of the difference between one-sixth of the actual income tax and the advance payment paid in the quarter in



question - from the day of the advance payment until the day when the actual amount of the income tax became known to the Tax Inspectorate bodies (prior to the day of submitting tax returns).

6. On the termination of the reporting year the taxpayer, based on the accrued taxable income, shall calculate the amount of the income tax, setting off the amounts of advance payments made for the reporting year in question.

7. In case when the actual amount of the income tax for the reporting year constitutes less than the total amount of the advance payments made for the year in question, the difference thereof shall be subject to refund, in accordance with article 33 of the law of the Republic of Armenia "On Taxes". In such cases the accrual of penalties on the calculated amounts of advance payments shall be terminated on the day when the actual amount of the income tax becomes known to the Tax Inspectorate bodies (the day of submission of the tax returns), but not later than on May 1. The amounts of penalties accrued on the advance payments shall not be subject to recalculation or refund.

8. In the event when the total amount of the advance payments constitutes less than the actual amount of the income tax for the year in question, a recalculation shall be performed only of the income tax, and the taxpayer must pay the resulting balance into the state budget. In such cases the accrual of penalties on the advance payments shall be terminated on the day when the actual amount of the income tax becomes known to the Tax Inspectorate bodies (the day of submission of the tax returns). The accrual of a fine for the delay in payments of the income tax commences on May 1 - in respect to the unpaid part of the income tax, in the amounts provided by article 23 of the law of the Republic of Armenia "On Taxes".

### ***Article 30. Income Tax Payment by Individual Entrepreneurs in the Process of Insolvency***

Pursuant to the legislation regulating the insolvency-related issues of private entrepreneurs, the payments of the income tax shall be suspended from the moment when a court decree recognizing the taxpayer as insolvent enters into effect, until the turn comes for the satisfaction of the state budget claims, pursuant to the succession established by the law for satisfying the creditors claims.

## **Chapter 8. Submission of Annual Tax Returns and Payment of the Amount of the Tax**

### ***Article 31. Procedure on Submission of Annual Tax Returns***

1. Individual taxpayers must submit tax returns on their annual income to the tax authorities at their residence with the exception of cases specified in clause 2 of this article.

2. The taxpayers may be relieved from submitting tax returns, provided in the course of the tax year they received:

- a) the income defined in articles 9, 10 and 11 of this law;
- b) exclusively such incomes, the obligation of tax calculation, withholding and payment for which is tax agent's responsibility, irrespective of the amount of taxable income during tax year;
- c) exclusively such income, withholding of the tax on which has been performed by tax agents pursuant to the terms defined in article 25 of this law;
- d) gross income not exceeding 250,000 drams within tax year, from which no tax has been withheld by tax agent;
- e) individuals that within the tax year have been engaged exclusively in the types of activity taxed in the form of fixed payments, substituting for the income tax, and have not received other taxable income defined by this law.

3. Individuals shall submit the returns on all types of income received in the course of the tax year, with the exception of the incomes defined by articles 9, 10 and 11 of this law as well as those specified in clause 2 (b) of this article.

4. The income of minors shall be submitted by their parents (custodians).

5. Individual taxpayers shall submit the tax returns of their annual income within the tax year not later than on March 1 of the following year.

6. In case of termination of the activity (source of income) and the departure from the Republic of Armenia prior to the end of the tax year, the tax returns must be submitted by the individual not later than one month before the departure. The amount of the income tax calculated in accordance with the tax returns shall be paid into the state budget within a period of five days after the final calculation of the payment.

7. In case when individuals receive income from diplomatic representations and consular institutions of foreign countries in the Republic of Armenia, as well as from international interstate (intergovernmental) organizations, when in accordance to the provisions of international treaties the withholding of the income tax is not performed at the source of income, the payment and the submission of returns in the course of the year shall be performed pursuant to the procedure established by the Government of the Republic of Armenia.

8. The failure to submit the tax returns shall not relieve the taxpayer from discharging the tax liabilities in accordance with this law and other legislative acts of the Republic of Armenia. The tax returns shall be submitted in all the cases when the income was received from the entities that are not tax agents of the Republic of Armenia.

9. Individuals have the right to introduce adjustments to the information reflected in their tax returns within two months from the day of the submission thereof.

### ***Article 32. Procedure of Filing Tax Returns on Annual Income and Paying the Tax***

1. A taxpayer must pay the amount of the income tax into the budget not later than on May 1 of the year following the current tax year.
2. In case when the tax agents withheld the tax in due procedure, at the source of paying income in the course of the year shall be taken into account (credited) during the final calculation.
3. According to the results of the annual tax returns, amounts of the tax paid by the taxpayer into the budget in excess shall be subject to refund pursuant to article 33 of the RA law "On Taxes".

#### ***Article 33. Exclusion of Double Taxation***

1. The amount of the income received by the resident taxpayers outside the Republic of Armenia shall be included in the total amount of the annual income declared in Armenia and shall be taken into account when determining the amount of the tax.
2. Income tax paid (withdrawn) by tax residents in Armenia shall be reduced in the amount of the tax withdrawn from them in foreign countries, pursuant to the legislation thereof, with the exception of the amount of the tax withdrawn in foreign countries from the income subject to deduction from the gross income, pursuant to the legislation of the Republic of Armenia. Along with this, the amount of the deducted (credited) tax may not exceed the amount of the tax on the income received in foreign countries, which is subject to payment in Armenia, in accordance with the provisions of this law.

## **PART 2. TAXATION OF A NON-RESIDENT**

### **Chapter 9. Peculiarities of Taxation of a Non-resident**

#### ***Article 34. Determination of Taxable Income and the Final Amount of the Tax***

1. The taxation of income received from Armenian sources by non-resident individuals shall be performed pursuant to the general procedure established by this law. For the purposes of this law the following shall be considered income received from sources in Armenia:
  - a) labor costs in the Republic of Armenia and other payments deemed equal thereto;
  - b) income received from the fulfillment of civil and legal contracts in the Republic of Armenia;
  - c) income derived from business activity carried out by a non-resident on the territory of the Republic of Armenia (the sales of products, goods and provision of services);
  - d) passive income.
2. Income received by a non-resident from the activity of other persons on the territory of the Republic of Armenia, through the investment (provision) of his/her property or other assets shall be considered as passive income, in particular:
  - a) dividends;
  - b) interest;
  - c) royalties;
  - d) income received from the lease of property located in Armenia;
  - e) increase in the value of property resulting from the alienation of property located in Armenia and other assets, and increase in other assets;
  - f) income received from transportation (freight).

#### ***Article 35. Determination of Taxable Income***

1. Income paid to the non-resident from the sources in Armenia in connection with foreign economic activity shall not be subject to taxation. For the purposes of the application of this law, the foreign economic activity shall be defined as the activity implemented exclusively on behalf of a non-resident, pertaining to the importation of goods belonging to the latter into the Republic of Armenia (provided customs documents for the goods exist, and there are no agent-mediators in the activity in question), in the event of which the tax resident of Armenia becomes the proprietor of the goods prior to their crossing of the state border of the Republic of Armenia.
2. The non-resident has the right of making deductions from the gross income in accordance with the procedure established by this law.

#### ***Article 36. Issue of a Reference on the Tax Withheld***

Upon the application of a non-resident, the Tax Inspectorate bodies shall issue a respective reference on the amount of taxes withheld from sources in Armenia - according to the form and procedure established by the Tax Inspectorate of the Republic of Armenia.

## **PART 3. CONCLUDING PROVISIONS**

### **Chapter 10. Concluding Provisions**

#### ***Article 37. Providing Information***

1. Organizations and individual entrepreneurs must quarterly provide a written information (in the form stipulated by the Tax Inspectorate of the Republic of Armenia) on the amounts of income paid to individuals in the previous quarter, addresses of their domicile (registration) and the amounts of the income tax withheld from the mentioned income and transferred to the state budget - to the Tax Inspectorate bodies of their domicile (registration), not later than on the first day of the second month of the following quarter. The mentioned information shall be forwarded to the Tax Inspectorate bodies of the location (registration) where the above-mentioned individuals reside or are registered.
2. In the event of liquidation of organizations, termination of activities of individual entrepreneurs the information, pursuant to clause 1 of this article, shall be submitted by the tax agent to the Tax Inspectorate bodies within 5 days after the day of application on dissolution (termination of the activity) to the bodies implementing state registration.
3. The organizations and individual entrepreneurs, as well as the employer, must quarterly submit summary reports to the Tax Inspectorate body of his/her location on the income paid to individuals within the preceding quarter, the amounts of the income tax withheld and paid to the state budget - in the form established by the Tax Inspectorate of the Republic of Armenia and not later than on the first day of the second month of the following quarter.
4. In case the tax agent finds the mistakes in his calculations of tax liabilities of previous reporting periods, he may submit adjustment forms to the tax office based on which tax liabilities will be recalculated.

#### ***Article 38. Liabilities of Individuals and Tax Agents for the Violation of This Law***

1. Taxpayers and tax agents shall bear responsibility for the violation of this law in accordance with the procedure established by the legislation of the Republic of Armenia.
2. In case of the failure to withhold the income tax at the source in accordance with the provisions of this law, the tax liability (as well as the fines accrued in accordance with the procedure established by the legislation of the Republic of Armenia for the failure to pay the income tax into the state budget within the set terms) shall be borne by the tax agent.
3. The amounts of the income tax not withheld in time (or withheld incompletely) by the tax agent from the income paid to the individuals, according to the provisions of this law, may be withheld from the individuals pursuant to the procedure established by the legislation of the Republic of Armenia, for not more than the last three months, whereas the amounts withheld (imposed) in excess of the defined amount of taxes shall be credited to future withholdings or shall be refunded within a one month period from the day of revealing the fact - for three calendar years following the day of withholding in excess of the defined amount.
4. Violation of the requirements of clause 1 of article 37 of this law by organizations and individual entrepreneurs will be punished by penalty by amount of 5000 drams for each data not submitted to the tax entities.
5. In case if in the tax report on annual incomes the individual entrepreneur over reports losses, a penalty is levied at the amount of 20 per cent of the over-reported loss.

#### ***Article 39. Administrative Acts on the Application of the Law***

The departmental normative acts on the application of this law shall be adopted by the Tax Inspectorate of the Republic of Armenia, in coordination with the Ministry of Finance and Economy of the Republic of Armenia.

#### ***Article 40. Entry of the Law into Force***

This law shall enter into force from the moment of its publication.  
The law of the Republic of Armenia on "Income Tax" dated February 8, 1995, including the amendments, shall be declared void from the moment of the entry of this law into force.

**President of the Republic of Armenia  
Levon Ter-Petrosyan**

**30 December 1997  
AL-183**