

Business overview

Establishing a Business

An enterprise or an entrepreneur may do business only after receiving a state registration certificate. A legal entity shall be considered created from the time of its state registration.

The law on the State Register of Enterprises provides for two types of registration: initial, when a state registration card is first filed with the State Register, and current, when additions and amendments are made to the registration card.

Registration is carried out by a local division of the State Register, and may take up to 5 days for enterprises and 2 days for entrepreneurs.

Types of Business Entities

Armenian legislation provides the same legal guarantees and protections to foreign and local businesses. Foreign investors have the right to create any form of enterprise.

The Civil Code of the RA defines the following most common types of enterprises:

- Joint-Stock Company (open and closed);
- Limited liability company;
- Business partnership (general or limited).

Joint Stock Company (JSC). This form is similar to a corporation in Europe and USA. A JSC is a legal entity whose charter capital is divided into a defined number of shares. The founders determine the quantity and value of the shares of stock.

The liability of the founders is limited to the nominal value of the shares in their possession.

The Joint Stock Company law defines two types of JSCs - open, when the stocks are sold to the public without the consent of the other stockholders, and closed, when the stocks are distributed only among its founders or other previously determined group of persons or entities.

The minimum capital requirement for an open JSC is 1,000 times the minimum monthly wage (the base of calculations is 1000 AMD). For closed JSCs, this is reduced to 100 times the minimum monthly wage. In certain industries, e.g. banking, higher minimum investment requirements may apply.

The founders of a JSC are obliged before registration of the company to fully pay up the charter capital. Upon the founding of a JSC all its shares must be distributed among the founders.

Limited liability company (LLC). This form of organization is basically the same as a closed stock company with the only difference being that the capital of LLC is divided into ownership shares. The LLC is a legal entity founded by one or several persons. The liability of its founders is limited to the initial investment. The founders of a LLC are obligated before registration of the company to pay up 50% of the charter capital but no less than minimum capital stipulated by law. The profits are divided among founders according to the investment share ratio unless another ratio is stipulated in the charter. The LLC and founders are taxed separately.

Business partnerships. This is an association of two or more people or organizations who run a profit-making business as owners. Business partnerships may be created in the form of a general or limited partnership.

A general partnership is a form of legal entity that represents an association of two or more individuals (general partners) who act as owners of the partnership. The partners jointly bear liability with all their property for the obligations of the partnership.

A limited partnership is a form of legal entity that represents an association of two or more individuals who act as owners or contributor participants of the partnership. It is different from a general partnership with respect to the liability obligations of its partners. A limited partnership has two types of partners – general and limited. General partners are liable for the obligations of the partnership with all their property. Limited partners do not participate in the conduct of the daily operations of the company, and are only liable to the extent of their contributions to the charter capital or working capital of the company.

An individual may be a general partner in only one partnership.

Daughter enterprises. A business company is considered to be a daughter enterprise if another (or principal) business company or partnership, by virtue of dominant participation in the subsidiary’s charter capital or in accordance with a contract concluded between them, has the power of determining decisions taken by such a company. A subsidiary is not liable for the debts of the parent company.

Dependent companies. A business company is a dependent company if another (the dominant or participant) partnership or company has more than 20% of the charter capital of a LLC or more than 20% of the voting shares of a JSC.

Representative Offices and Branches. Foreign companies may operate in Armenia without establishing a new entity, i.e. by registering in Armenia a representative office or a branch of a foreign legal entity. Representative offices and branches are not legal entities, and they act on the basis of statutes approved by their foreign legal entity.

Investment Incentives

Resident entities with foreign investments are able to secure the following tax exemptions, if the level of foreign investment (made after January 1, 1998) in the capital of the resident entity (except for banks and credit companies) totals at least AMD 500 million:

Year of investment	Deduction from Profit tax for each year	
	100%	50%
1998	1999-2000	2001-2008 inclusive
1999	2000-2001	2002-2009 inclusive
2000	2001-2002	2003-2008 inclusive
2001	2002-2003	2004-2007 inclusive
2002	2003-2004	2005-2006 inclusive
2003	2004-2005	-
2004	2005-2006	-
2005	2006-2007	-
2006	2007-2008	-
2007	2008-2009	-

If the business is liquidated within the effective period of the privilege, the profit tax is calculated at the full rate for the whole period of activity.

Guarantees

It is provided by the Law on Foreign Investments, that in the event of changes to the legislation of the Republic of Armenia regulating foreign investments, the legislation which was in effect at the time when the investment was made, shall be applied for a five year period, upon the request of a foreign investor.

Foreign investments in the Republic of Armenia cannot be nationalized or confiscated. Confiscation may be allowed only as an extreme measure in the case of an emergency declared in accordance with the legislation of the Republic of Armenia, and it may be applied only upon the decision of a court and with full compensation. Investors must also be compensated for any damage or loss of profit resulting from the illegal actions of state bodies or officials. Compensation shall be paid at current market prices or prices determined by independent auditors either in the currency invested, or in any other currency mutually agreed upon by the parties.

There are no limitations on export of foreign investors' and foreign employees' property, profits and other means legally earned as a result of investments, payments for labor or as compensation.

Corporate taxation

Residence and Scope

Under the Law on Profit Tax both residents and non-residents pay profit tax in the RA. Legal entities are deemed to be residents if they have received state registration in Armenia. Non-residents are legal entities and enterprises without legal entity status, which have been registered in another country, including international organizations.

Residents are taxed on profit derived both in Armenia and abroad, while non-residents are taxed only on income within the RA.

Non-residents operating through subdivisions in Armenia are taxed on profits earned from the activities in Armenia. Income received by non-residents from other sources in Armenia, e.g. dividends (for enterprises only), interest income, royalties, rental income etc. is subject to withholding at the source. Withholding may be reduced or eliminated by applying double taxation treaties.

The tax year is the calendar year.

Rates

The annual profit tax rate is 20%. The law may establish, for certain payers, groups of payers and types of activity, a fixed payment, which substitutes for profit tax.

For non-residents, for income from insurance compensations, reinsurance payments and incomes from freight the rate is 5%. For incomes received as dividends, interest, royalty, income from the lease of property, increase in the value of property and other passive incomes, as well as other income received from Armenian sources the rate is 10%.

Determination of Taxable Profit

The taxable profit is the positive difference between the gross income and the deductions allowed under the Profit Tax Law. Income and expenses shall be accounted for using the accrual method.

The following shall be considered as gross income:

- revenue derived from the sale of products and services;
- income derived from the sale of fixed and other assets;
- interest; leasing income; royalties; dividends;
- insurance compensation;
- income received from debt or trade financing; financing liabilities or commercial transactions
- income received from futures, options and other similar transactions;
- gratis assets; income from discount, or remission of liabilities
- income received from compensation for damage caused;
- income received in the form of penalties, fines and other proprietary sanctions;
- income received from transactions recognized as invalid;
- amounts of accounts payable written off, etc.
- income received from the provision of banking guarantees, or accept operations
- income received from the trust or other management of securities and investments of third persons
- income received from the issue, transfer, discount, concession or service of promissory notes, checks, other payment securities, payment documents, cards and other instruments.

Expenses

The following shall be considered as expenses, particularly:

- material cost;
- labour cost; and other payments deemed equal thereto
- obligatory social security payments;
- depreciation allowances;
- insurance payments;
- non-refundable taxes, duties and other obligatory payments;
- interest on loans or other borrowings;
- payments for guarantees, guarantee letters, L/Cs and other services of banking, insurance, and credit organizations;
- advertising expenses;
- representation and business trip expenses;
- expenses on staff recruitment;
- expenses on factoring, trust operations
- court expenses;
- auditing, legal, and other advisory information and administrative services expenses;
- maintenance expenses on fixed assets;
- research and development expenses, etc. Contributions made to religious, public and other non-profit organizations (but not more 0,25% of gross income) are allowable deductions.

The Profit Tax law specifies that the following expenses are not deductible from gross revenue for the amount exceeding the limits specified by the government:

- payment for violation of pollution laws;
- expenses for advertising outside the RA;
- training of staff outside the RA;
- expenses for special nutrition and uniforms for the employees;
- expenses for foreign trips, and per diem for local trips;
- representative expenses;
- expenses on the maintenance of public health institutions, rehabilitation camps, culture, education and sport institutions, etc;
- gratis assets, remitted liabilities;
- expenses on services rendered by the taxpayer, which are not related to the production of goods, etc.

Depreciation

Assets depreciation deductions are allowed based on the useful life of the following assets:

<i>Type of asset</i>	<i>Age terms (years)</i>
Buildings	20
Hotels, sanatoria, guest-houses	10
Production lines, robot equipment	3
Computers and calculating devices	1
Other fixed assets	5

Profit tax payers may apply other depreciation rates within the above rate limits. Depreciation is calculated on the initial cost of the assets on a straight-line basis.

The minimal period for depreciation of the capital goods worth of under 50 000 drams is one year.

The depreciation term of intangible assets is specified by the taxpayer on the basis of the possible period of effective use. In the case of being unable to determine such a period, the minimum depreciation period for intangible assets should be not less than 10 years.

Gratis Assets

Gratis assets are considered as an income only in the period when they are recognised as an expense or loss. It does not apply to non-residents.

Dividends

Dividends received by residents are not taxed. Dividends, received by non-residents are subject to withholding tax, except for cases when the following 3 conditions are met: shares have been owned for no less than 2 years, the non-resident during the previous 2 calendar years from the date of the payment of dividends owned no less than 25% of the capital and the dividends are not subject to tax in the resident country.

Losses

The profit tax law allows for losses to be carried forward for 5 years. An enterprise that incurs a loss in one accounting year may carry it forward to be offset against profits earned in subsequent years. This does not apply to non-residents.

Exemptions

Tax payers involved in agricultural activities are exempt from profit tax on revenue received from selling agricultural products, as well as on revenue derived from the sale of fixed and other assets, if the relative weight of the latter does not exceed 10% of the gross revenue.

Returns and Payments

Profit tax is calculated by the taxpayer independently, using appropriate rates and tax privileges. Taxpayers must file a tax return and an annual report to the local authorities by 15th April following the end of the tax year. Profit tax must be paid to the state budget before 25th April following the end of the tax year.

Advance payments shall be made monthly, if the amount of profit tax paid by residents exceeded AMD 500,000 in the previous year. These payments are based on 1/16 of the actual profit tax paid during the previous year. Payments are made before the 25th day of the current month.

Newly registered taxpayers do not have to make advance payments of profit tax until April 25 of the following year.

Non-residents shall submit a tax return on annual income to the Tax Inspectorate prior to April 15th of the year following the reporting one. Within 10 days the taxpayer receives a payment notification about the final amount of the calculated profit tax, which should be paid within one month after receiving the notification.

Non-residents must pay advance payments twice a year if the amount of profit tax paid during the previous year was greater than AMD 2 million. These payments are based on 1/4 of the actual profit tax paid for the previous year. Payments are made before 1st July and 31st December of the reporting year.

Profit of Non-Residents from Business Activity

A non-resident taxpayer who is carrying out a business activity in Armenia through a subdivision or place of business is taxed on income derived from Armenian sources connected with the subdivision or place of business. The tax is reduced by the amount of deductions established by the Profit Tax Law for resident taxpayers, except gratis assets, loss carryover and dividends received.

Social Insurance Payments

In RA a foreigners, having citizenship or not, carrying out entrepreneurial or another kind of activity as well as employers used their work are exempted from Social security payments.

In RA operating foreign legal entities, organizations created by them, foreign citizens and persons not having citizenship must pay social payments for their employees, who are the citizens of RA due to the law.

Every employee must make a contribution of 3% of wages or salaries. This amount is withheld at source by the employer and is deductible from employees' salaries or wages.

Under the law on obligatory payments of social insurance Armenian and foreign employers are required to withhold monthly social insurance contributions from their employees' salaries and wages at the following rates:

<i>Paid by employer</i>	Age terms (years)
<i>Gross salary (AMD per month)</i>	
0 – 20,000	AMD 7,000
20,000 – 100,000	15% of the amount exceeding 20,000 AMD plus AMD 7,000
100,000 upwards	5% of the amount exceeding 100,000AMD plus 19,000 AMD

Individual taxation

Residence and Scope

According to the Law on Income Tax residents of the RA and non-residents are liable to income tax. Residents are taxed on their worldwide income and non-residents are taxed on income from Armenian sources only.

Individuals are considered to be resident in Armenia if they are physically present for 183 days or more in any consecutive twelve-month period commencing or ending in the tax year. Individuals whose centre of vital interests is in Armenia, as well as those in the civil service of the Republic of Armenia outside the country are also considered as residents. Individuals who do not meet these conditions are non-residents.

Determination of Taxable Income

Taxable income is the positive difference between the gross income and deductions allowed under the Income Tax Law.

Gross income is the total income derived by a taxpayer within the reporting year. The following are considered as different forms of income:

- salaries, wages;
- dividends, royalties, interest;
- insurance compensations;
- monetary and non-monetary gains competitions and contests, as well as lotteries;
- income derived from business activity;
- property and cash, received as inheritance;
- lease payments, as well as income received from other civil and legal contracts;
- revenue from the sale of property;
- income received from donations and assistance, etc.

The following are considered as deductions:

- income of military personnel;
- grants;
- property and cash, received as inheritance or gift;
- dividends;
- income from realisation of agricultural productions;
- insurance compensation;
- amount of allocations provided to religious, public and other non-profit organizations, but not more than 5% of taxable income;
- scholarship and stipends paid to students;
- revenue from the alienation of property;
- monetary and non-monetary gains from lotteries, etc.
- monetary and in-kind assistance to physical persons from funds of non-commercial organizations
- income received from securities
- the prizes won at international competitions and contests
- Interest paid for servicing purpose loans that were taken for mortgage of buildings being built for the purpose of individual housing by physical persons
- State awards (prizes)
- the positive difference between the nominal value and the purchasing price of privatization certificates in case of acquisition
- and investment of privatization certificates

Rates

1. Income tax is calculated by a tax agent (employer) on a monthly basis at the following rates:

<i>Monthly taxable income (AMD)</i>	<i>Tax rate (%)</i>	<i>Cumulative tax (AMD)</i>
0 - 80,000	10	
More than 80,000	20	8,000 AMD plus 20% of the amount exceeding 80,000 AMD

2. For annual taxable income, when tax is not taxed by a tax agent, income tax is calculated at the following rates:

<i>Annual taxable income (AMD)</i>	<i>Tax rate (%)</i>	<i>Cumulative tax (AMD)</i>
0 - 960,000	10	
More than 960,000	20	96,000 AMD plus 20% of the amount exceeding 960,000

3. For royalties, leasing and interest income the income tax rate is 10% without taking into account the deductions specified above.

Personal Allowance

20,000 AMD is deducted from personal monthly gross income before calculating tax.

Returns and Payments

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.

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".

Exclusion of Double Taxation

Income tax paid by a resident taxpayer in the RA is reduced by the amount of tax paid by them in foreign countries, with the exception of the amount of tax paid in foreign countries on income that is deductible from gross income pursuant to the legislation of the RA.

Value Added Tax (VAT)

Taxpayers

Value added tax (VAT) is an indirect tax which in compliance with this law shall be paid (levied) to the State budget for imported goods at all stages of their production and turnover, as well as for the rendering services on the territory of the Republic of Armenia (RA).

Everyone who conducts independent economic activity (business) in a legal form and carries out taxable transactions must pay VAT with the exception of those who are subject to simplified tax (if revenue from taxable transactions during the previous calendar year does not exceed AMD 50 million).

Individuals importing goods in the RA also pay VAT if the quantity or the cost of commodities imported exceeds the legal limits (USD 300 or Weight 50 kg) established under the Law.

Taxable Transactions

The following transactions are subject to VAT:

- Delivery (supply) of goods - a transaction that is implemented by transferring the ownership right of goods (including output and real estate) to other person for compensation. Disposition of personal property of individuals, with the exception of cases defined by this law, shall not be considered as the delivery of goods;
- rendering of services - a transaction (operation) other than the delivery of goods, conducted for any form of compensation, including the sales (transfer) of intangible assets. The lease of goods and real estate shall be also considered the rendering of services;
- free or partially free consumption and delivery;
- import of goods, with the exemption of:
 - a) goods, included in the approved list, imported into the territory of the RA by entities and individual entrepreneurs, the rate of custom duty on which is set at 0% by the Law and which are not subject to excise tax;
 - b) goods imported into the territory of the RA in the field of humanitarian assistance and charity, which are determined to be exempt from VAT by the authorized bodies of the Government of the RA.

Non-taxable Goods and Services

VAT is not applied to:

- State duty amount;
- gratuitous provision of goods and services by taxpayers, as well as the difference between the taxable turnover defined by this law and the compensation received in cases of transactions with partial compensation as based on the RA Government decrees;
- services rendered gratuitously by a seller of goods within the warranty period defined by public contracts, as well as goods within the confines of these services not meeting quality requirements, gratuitous replacement of goods' spare parts, rendering of services and supply of goods the value of which is included in the cost of goods supplied and serviced rendered according to public contracts;
- transactions for the change of ownership right (including transactions on privatization) in regard to the legal entity, enterprise without the status of a legal entity, as well as transactions on denationalization;
- transactions for the reorganization of a legal entity or enterprise without the status of a legal entity;
- lease transactions of a leasehold enterprises created on the basis of State enterprises;
- turnover of values and treasures without owner passed to the State as devised, as well as subsidies, subventions and grants from the State budget related to the introduction of rates set, as prescribed, by the State or the authorized agency;
- disposition of property or property rights to the State in form of confiscation or donation;

- revenues from the delivery of goods and rendering of services by budgetary institutions which are completely credited to the State or municipal budgets;
- import of goods by individuals for their personal consumption specified by the law;
- import of personal property by citizens entering the RA for permanent residence;

Determination of taxable base

1. In the case of the delivery of goods and services the taxable base is considered to be the value (in terms of money) of delivered goods and services (including other payments added to this value pursuant to the Law) excluding VAT which is paid by the purchaser to the supplier;
2. for goods imported into the RA, the taxable base is the sum of their customs value, customs duty and any excise tax levied at the time of importation;
3. for imported goods, which have been earlier exported from the territory of the RA by VAT payers for the purpose of processing or repair, the taxable base is the value of processing and repair [thereof] which has been paid as an indemnity to foreign legal persons or citizens. When it is impossible to define this value the taxable base is the difference between the customs value of the imported goods after processing and repair and the customs value declared at export;
4. for intermediary services, the taxable base is the payment received excluding VAT;
5. in cases of free delivery of goods and services, the taxable base is the price paid for similar supplies at the time of the transaction;
6. the taxable base for barter transactions is determined on the basis of their VAT exclusive price applied at the time of delivery ;
7. in case of delivery of goods subject to excise tax, the taxable base should include the excise tax.

There are some provisions, which apply only in the tourism sector:

- The taxable turnover for persons providing services in the tourism sector, who sell travel tickets (or render services) to citizens on behalf of other persons, shall be the difference between the whole amount paid by the tourists to the agency and the value of the services rendered by other persons;
- In cases when the delivery of goods and the provision of services related to tourism are carried out wholly outside the territory of the RA, a zero tax rate is applied.

Rates

The general VAT rate is 20% of the turnover of taxable goods and services, which is equal to 16,67% of VAT-inclusive prices.

VAT is a non-cumulative tax. In calculating VAT, Armenia uses the credit method for all businesses, i.e., VAT paid to suppliers is creditable against VAT collected from customers. Therefore, only the difference between the total VAT collected from customers and the total VAT paid to suppliers during a reporting period is paid.

Exemptions and Zero Rating

According to the Law some transactions and operations are exempt from VAT and some are rated at zero per cent. The difference between exemption and zero rating is that exemption does not compensate a seller for VAT paid and

incorporated at earlier stages of the distribution chain; it only exempts the value added by the seller. Zero rating removes taxes incorporated at all stages.

Zero rating applies to the following goods and services:

- exported goods;
- retail sale of goods for passengers of international routes in airports, in places specially allocated for that purpose beyond customs and passport control territories;
- maintenance, repair and re-equipment of the means of transport for international transportation;
- on processing and assembling of products from raw materials, semi manufactured goods, and materials provided by foreign residents and exported outside the customs of RA;
- services, whose place of provision is outside the domestic territory of RA;
- commodities for the official and personal use of diplomatic and consular personnel;
- transit transportation of foreign loads through the territory of the RA, etc.

Upon the export of commodities purchased in Armenia by foreign citizens, VAT amounts paid in Armenia shall be returned by customs officials in compliance with governmental decision.

The VAT law exempts certain items, among which the following are included:

- the part of the fee for education at secondary schools, vocational schools for qualification and re-qualification, specialized-secondary and higher educational institutions;
- sales of copy-books and music books, albums for drawing, children's and school literature, school educational publications; sales of scientific and educational editions published by higher educational institutions, specialized scientific organizations and the National Academy of Sciences of the RA;
- scientific and research works;
- sales of veterinary medicines, sales of poisonous chemicals used in agricultural production, fertilizers, agricultural plants and seeds of perennial plantations and planting material used by procedures of agricultural production
- sales of agricultural products produced in the RA by the producer
- insurance and reinsurance operations, including services related to them, which are rendered by insurance mediators and agents,
- operations related to pension insurance, including services related to them, which are rendered by mediators and agents;
- number of financial operations and transactions carried out by banks and credit organizations;
- delivery of goods and provision of services according to the procedure established by the Government of the RA for the preparation facilities of credit and grant programs of international financial organizations;
- free consumption provided by public (including benevolent) and religious organizations (deleted expression);
- Sales of precious and semiprecious stones indicated in the list specified by the Government of the RA;
- Sales of half-finished jewellery articles of precious metals (EEACC 7106, 7108, 7109, 7110, 7113, 7115);

Tax Invoices

Tax invoices must be filed by those suppliers of goods and services who pay VAT. The Tax invoice is the document that confirms the provision of goods and services.

VAT on Imported Goods

VAT on imported goods is levied at the point of importation by customs officials. VAT is calculated and levied for those imported goods that are subject to customs duties; goods, on the approved list, that are subject to zero percent customs duties and are not subject to excise tax, will not be subject to VAT.

Specific Regulations for Taxation of Foreign Persons

Peculiarity of Foreign Persons Taxation

If foreign businesses or individuals fail to register their business activity and do not register as taxpayers, then any VAT paying Armenian resident who acts on their behalf or at their expense, (including commissions and auction sales), will be deemed as the supplier of the commodities or services in Armenia. Hence, they undertake responsibility for any VAT liabilities arising from these transactions instead of the foreign businesses or individuals. The taxable turnover arising from the supply of these goods and the provision of these services is equal to their cost in monetary value minus the VAT.

Payments

For goods imported into the RA, VAT shall be paid within 10 days after the importation in accordance with the procedure established by the Government of the RA. In cases when the previously declared customs regime (according to which VAT is not levied on the goods passing the customs border) is replaced by the regime of issue (import) for free circulation, the taxpayers (or other persons responsible for the payments established by the customs legislation) shall be obligated to pay the amounts of VAT not imposed in the customs regime of import within 10 days after the re-declaration of goods or from the day when it became known. Tax declarations must be made monthly, and payments must be made before the 20th day of the following month.

VAT is calculated on the taxable turnover with deductions permitted for:

- 1) VAT noted on the tax invoices received from suppliers of goods and services;
- 2) VAT withheld by customs bodies of the RA - for goods imported into the territory of the RA.

In cases when the norms differ from those provided by this Law and those, which are established by international agreements, concluded and ratified by the RA, the norm of the international agreements shall take precedence.

Excise Tax

Scope

Legal persons and individuals producing or importing into the RA excisable goods must pay excise tax. The quantity (volume) of excisable goods shall be deemed to be the taxable base.

The following categories are exempt from excise tax:

- goods imported into and further exported from the RA;
- goods which are imported by citizens in amounts that do not exceed the limits specified by the law on excise tax, etc.

Rates

The excise tax rates are as follows:

	Article	Quantity (volume)	Excise tax rates (AMD)
2203	Beer	1 litre	70
2204	Grape and other wines	Customs value or release price (without VAT and excise tax)	10%, but no less than 100 dram per 1 litre
2205	Vermouth and other grape wines, containing plant and aromatic extracts	1 litre	500
2206	Other beverages (apple cider, pear cider, etc.)	1 litre	180
2207	Ethyl Alcohol	1 litre (to be re-calculated based on 100% alcohol)	600
2208	Alcohol beverages	Customs value or release price (without VAT and excise tax)	30 %, but no less than 380 dram per 1 litre*
2403	Tobacco substitute	1 kg	1,500
2709	Crude oil and oil products	1 tonne	27,000
2711	Oil-gas and other carbohydrate gases (except for natural gas)	1 tonne	1,000

* for each additional percent above 40% alcohol, the rate is added by 7.5 AMD, while for less than 9 percent alcohol, it is 100 AMD per litre.

Excise Stamps

The amount paid for excise stamps is considered to be an advance payment of excise tax.

Payments

Payments of excise tax for goods imported to the RA must be made within 10 days of importation. Taxpayers producing excisable goods in the RA shall pay monthly excise tax before the 15th of the month following the reporting one and submit the tax return to the relevant Tax Inspectorate.

Property Tax

Object of Taxation and Taxable Base

Property tax applies to individuals, legal persons and enterprises without the status of a legal person who own property in the territory of the RA with the exception of institutions funded from the State budget, the Central Bank and local government bodies.

The following items are taxable:

- dwelling buildings, houses, flats, cottages, garages;
- motor vehicles;
- means of water transport.

The value of a building is considered as the taxable base. The engine power (horsepower or kilowatt-power) is considered as the taxable base of means of transport.

Rates

Property tax for buildings is calculated at the following annual rates:

- a) public and industrial buildings owned by legal entities- 0.6 %;
- b) garages and cottages owned by individuals - 0.2 %;
- c) other dwelling buildings as follows:

Taxable base (AMD)	Tax rate (%)	Plus Additional fixed amount (AMD)
0 – 3,000,000	0	0
3,000,000 – 10,000,000	0,1 % of the amount exceeding 3 mln AMD	100
10,000,000 – 20,000,000	0,2 % of the amount exceeding 10 mln AMD	7,100
20,000,000 – 30,000,000	0,4 % of the amount exceeding 20 mln AMD	27,100
30,000,000 – 40,000,000	0,6 % of the amount exceeding 30 mln AMD	67,100
40,000,000 upwards	1.0 % of the amount exceeding 40 mln AMD	127,100

Property tax for motor transport means is calculated at the following annual rates:

a) passenger automobiles having up to 10 seats:

- 200 AMD/horsepower, if taxable base is from 1 to 120 horsepower;
- 300 AMD/horsepower, if taxable base is from 121 to 250 horsepower, plus 1000 AMD/horsepower for horsepower exceeding 150 horsepower;
- 500 AMD/horsepower, if taxable base is more than 250 horsepower, plus 1000 AMD/horsepower for horsepower exceeding 150 horsepower;

b) passenger automobiles having 10 or more seats and trucks:

- 100 AMD/horsepower, if taxable base is from 1 to 200 horsepower;
- 200 AMD/horsepower, if taxable base is 201 or more horsepower.

100% of property tax is applied to motor vehicles, manufactured within the last 3 years. For each additional year the property tax is reduced by 10%, but the total reduction cannot exceed 50% of the tax amount defined above.

Payments

Legal persons must pay the property tax the 1st day of the month directly following the reporting quarter. Individuals shall submit property tax calculations before October 1st and pay before December 1st of the reporting year.

Land Tax

Taxpayers

Landowners and permanent or temporary users of state owned land are land taxpayers. Tax on rented land is levied on the lessor.

Taxable Base and Rates

The land "cadaster" (valuation system) is used to determine the value of the land.

Land tax for agricultural lands is calculated at 15% of the net income determined by the "cadastral" evaluation.

For non-agricultural land the rate is 0.5-1% of the "cadastral" value of the land.

Exemptions

Full exemption is granted to national parks, newly established orchards, vineyards, agricultural and collective farms for 2 years after the collective has taken ownership of the land.

Partial (50%) exemption is granted to scientific institutions and organizations using land for research and experiments.

Payments

Enterprises, institutions and organizations must submit annual land tax calculations to the Tax Inspectorate no later than September 1st of the reporting year, and make quarterly payments before the 25th day of the month following the reporting quarter.

Citizens and agricultural farms pay land tax, taking as a basis the payment notifications calculated by the State Tax Inspectorate and delivered to them before September 1st of the reporting year, in equal parts no later than November 15th of the reporting year and before April 15th of the following year.

Withholding Tax

Withholding Tax on Corporate Profit.

Profit tax is withheld by a tax agent from the total amount of income paid to a non-resident at the following rates:

<i>Type of income</i>	<i>Profit tax (%)</i>
Insurance compensation, reinsurance and freight income	5
Dividends, interest, leasing income, royalty, other income received from Armenian sources, etc.	10

Withholding Tax On Personal Income.

The tax on monthly income less than 80,000 AMD as well as on royalties, leasing and interest income, paid to an individual is withheld by a tax agent on each payment at the rate of 10%. Tax on monthly income in excess of 80,000 AMD is withheld at 20% on excess amount plus 8,000 AMD.

Peculiarities of Taxation of Foreign Citizens and Persons without Citizenship.

Income of foreign citizens and persons without citizenship should be withheld by the tax agent at the source at the following rates:

<i>Type of income</i>	<i>Income Tax rate (%)</i>
Insurance compensation, freight income	5
Royalty, leasing, interest income, etc.	10

Dividends and Royalties

The tax rate on non-resident's dividends and royalties is 10%. Tax on dividends is paid only by non-resident enterprises (i.e. non-resident physical persons are exempt). These rates may be reduced by a tax treaty.

The maximum rates for this tax, taking into account tax treaties are:

Payee resident in	Dividends (%)	Interest (%)	Royalties (%)
Austria	15 (a)	10	5
Belarus	15 (b)	10	10
Belgium	15 (a)	10	8
Bulgaria	10 (c)	10	10

Canada	15 (d)	10	10
China	10 (e)	10	10
Egypt	10	10	10
Estonia	15 (e)	10	10
France	15 (a)	10	10 (f)
Georgia	10 (e)	10	5
Greece	10	10	5
India	10	10	10
Indonesia	15 (g)	10	10
Iran	15 (g)	10	5
Italy	10 (h)	10	7
Latvia	10	10	10
Lebanon	10 (e)	8	5
Lithuania	15 (e)	10	10
Moldova	15 (e)	10	10
Poland	10	5	10
Qatar	10 (i)	5	5
Romania	10 (e)	10	10
Russia	10 (c)	-	-
Switzerland	15 (j)	10	5
Syria	10	10	12
Tajikistan	10	10	10
Thailand	10	10	15
The Netherlands	15 (a)	5	5
Turkmenistan	15 (e)	10	10
UAE	3	-	5
Ukraine	15 (e)	10	-

N.B.

- (a) rate of 5% where the payee holds more than 10% of capital of the company;
(b) rate of 10% where the payee holds more than 30% of capital of the company;
(c) rate of 5% where the payee holds more than USD 40,000 in capital of the company;
(d) rate of 5% if the beneficial owner is a company which holds directly at least 25 per cent of the capital of the company paying the dividends and the capital invested by the beneficial owner exceeds US \$100,000 at the time the dividends are declared;
(e) rate of 5% where the payee holds more than 25% of capital of the company;
(f) rate of 5% applied for author's rights;
(g) rate of 10% where the payee holds more than 25% of capital of the company;

(h) rate of 5% where the payee holds more than 10% of capital of the company and the capital exceeds USD 100,000;

(i) rate of 5% where the payee holds more than USD 100,000 in capital of the company;

(j) rate of 5% where the payee holds more than 25% of capital of the company and the capital exceeds Swiss franc 200,000.